

Declaration of principle on Gühring KG's human rights strategy

Introduction

Gühring KG, 72458 Albstadt, Herderstr. 50-54 (hereinafter referred to as Gühring) is committed to the compliance with human rights and to protect the environment. It is the declared aim of the company management to respect, protect and promote human rights and the environment along the entire value chain. Violations against internationally anchored human rights and against national and international environmental regulations will not be tolerated.

The basis of human rights and environment related due diligence obligations form the following international regulatory frameworks to which Gühring is committed to:

- International Bill of Human Rights
- Guiding Principles on Business and Human Rights
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Core labour standards of the International Labour Organization
- United Nations Convention on the Rights of the Child

The principles laid down in this declaration on the human rights and environment strategy apply throughout the business divisions of Gühring and are to be observed by the management and employees when carrying out the tasks assigned to them. Gühring expects the observance of human rights and environmentally related obligations by all business partners. The respect for and observance of human rights and environmentally related obligations is the basic prerequisite for a cooperation with Gühring.

Gühring

Owner managed, innovative, international: Gühring with headquarters in Albstadt-Ebingen is one of the world's leading manufacturers of rotary precision tools for the metal cutting industry. With approximately 8 000 employees, in excess of 3 500 in Germany, the company develops, manufactures and distributes innovative cutting tools at more than 70 production locations in 48 countries.

Respect for human rights and the environment throughout the entire supply chain

Gühning takes appropriate and effective measures to identify, verify human rights and environment related risks in our own area of business and throughout the entire supply chain and prevent the materialisation of risks. If determined a violation of a human rights or environmentally related obligation has occurred or is imminent, a target-oriented remedial process takes place in the framework of which individual measures to end the violation and to minimise its consequences are taken.

All measures taken within the framework of our human rights or environment related responsibility follow the principle “engagement before disengagement”: We are committed to support our business partners in the prevention and cessation of violations of human rights or environment related regulations before we relinquish business relations or switch to alternative sources of supply.

Measures for an effective risk management

Due diligence obligations are implemented in the framework of a risk management system for our own area of business and throughout the entire supply chain. Through the horizontal and vertical integration of the due diligence obligations in all relevant business processes Gühning ensures that risks are recognised and preventive and remedial measures implemented in a targeted manner.

The risk management system is implemented across the entire group and centrally controlled and monitored by a specialist Gühning department.

Effective risk management

The risk management system sets up processes to implement due diligence obligations and determines areas of responsibility, competencies and reporting lines.

The due diligence obligations are horizontally anchored within Gühning. All relevant departments – legal & compliance, sustainability, purchasing, risk management – are included in the implementation steps.

The vertical anchoring of due diligence obligations is carried out by determining supervisory and coordination responsibilities on management level. The management has the overall responsibility for the implementation of human rights and environment related due diligence obligations. Gühning has appointed a human rights representative committee that monitors the risk management for its own business division and the entire supply chain and carries out regular effectiveness inspections. The committee reports directly to the management.

Recognise, weight and prioritise risks

Gühring carries out thorough risk analyses regarding the observance of human rights and environment related obligations within its own business division and with its direct suppliers. Here, we fall back on internal as well as external expert knowledge. The complexity and scope of our international supply chain requires the application of technical solutions that support us in the identification, verification, weighting and prioritisation of risks.

Our risk analysis system enables the determination of individual risks of each business partner. On the basis of general supplier details – especially country of origin and industry – an abstract risk analysis is undertaken based on a multitude of recognised indices and studies of external experts. On the basis of supplier self-assessments, an AI-controlled media analysis tool, verified certifications and own findings from checks or business transactions we subsequently check business partners for concrete human rights or environment related risks. Here, not only the country of origin and industry of the business partner is taken into account. We also analyse product risks, levels of trade risks, the complexity of upstream supply chains as well as a wide range of further data, to limit, localise and recognise risks at an early stage.

We weight and prioritise risks by striking a balance between the typically expected gravity of a possible violation of rights and its irreversibility and the probability of occurrence. We also take into account possible own causation contributions as well as the degree of our influence capacity to prioritise risks and spring into targeted action where the materialisation of risks threatens. With the assistance of a risk matrix, we identify our need for action and initiate preventive and remedial measures there where they are necessary.

Preventive action

The comprehensive risk analysis is complemented by appropriate and effective preventive measures.

In our own business sector, an internal company code of conduct applies that clearly and comprehensibly summarises the expectations of and rights of employees.

Gühring offers comprehensive training and educational opportunities that employees can take advantage of. Employees entrusted with the implementation of human rights and environment related due diligence obligations participate in further training measures in order to be able to implement the international requirements for human rights and environment protection in the entire supply chain. We offer our business partners training and educational opportunities for them also to be enabled to assist the application of human rights and environment protection in their business sector.

We also carry out regular and event-related checks in our business sector in order to recognise and minimise risks at an early stage. We check our business partners within the framework of the legal possibilities and requirements.

We demand our business partners pass on our human rights or environment related expectations to the supply chain and continuously check their compliance. For this purpose, our sustainability guideline for suppliers forms the basis for entering a new business relationship.

We have set ourselves the goal to only source products and raw materials from high-risk countries from approved suppliers (Organisation “Responsible Minerals Initiative”).

Taking remedial measures

Effective remedial measures must be taken when a violation of a human rights or environment related obligation occurs or is imminent.

Gühring immediately initiates remedial measures following identification of such violation. Here, we develop made-to-measure remedial measures for every situation and every direct or indirect supplier in order to put an end to violations in a targeted manner. At the same time, we have developed a series of framework measures that are immediately activated similar to a building block system and can be filled with concrete contents as a response to violations.

For each remedial measure we define a process, performance targets and a clear company internal responsibility. Each remedial measure contains a time plan and can be provided with interim objectives. The system-supported measure processes interlink all relevant participants.

Follow up information

A functioning complaint procedure plays an important role in identifying risks and violations in the supply chain that is accessible to all concerned – from employees and suppliers to third parties affected by our or third-party activities. Here it is important information can be submitted anonymously and confidentially.

Our web-based whistleblower system is multilingual and takes into account the complexity of our activities. Every access threshold is set low to make the submission of information as easy as possible.

Information is handled confidentially and quickly. In the framework of the complaint management employees involved in processing information are not subject to any instructions, their neutrality is maintained. Each complaint triggers an evaluation and measure process, at the end of each is the cessation of a reported violation or the minimisation of a recognised risk.

Submitted information and complaints are furthermore automatically taken into account in the framework of the risk analysis.

Responsibility in the entire supply chain

Gühring takes its responsibility for the entire supply chain very serious. Accordingly, we extend our risk analysis also to suppliers though not maintaining direct business relationships with us but are part of our supply chain.

The long-term objective is to provide complete transparency in the supply chain. Despite traceable opposing interests of some business partners, we endeavour to identify and include indirect suppliers in the risk analysis. For this we put an emphasis on close cooperation with our indirect business partners in order to, cooperatively and to the benefit of all, increase the transparency in the supply chain.

Documentation and reporting

The implementation of all due diligence obligations is continuously documented. Via a central risk management system, we link all to us accessible information regarding recognised risks and preventive and remedial measures taken.

We are also committed to a transparent communication regarding human rights and environment related challenges that Gührling faces. Through our public reporting we communicate at least annually the risks recognised, the measures undertaken and the progress achieved.

The focus is on: Human Rights and the Environment

A special challenge Gührling faces is the procurement of conflict minerals. The therein recognised human rights related / environment related risks are addressed by appropriate and effective measures.

As a result, we only obtain products and raw materials from high-risk countries from approved* suppliers that have committed themselves to the observance of human rights and compliance with special environmental standards.

*(Organisation "Responsible Minerals Initiative"; companies declared as compliant with the RMAP Supply Chain Transparency Smelter Audit Protocol for Tungsten by a RMAP conformity audit carried out by an independent third party)

Cooperations

- VDMA e. V. (German Mechanical and Plant Engineering Association) <https://www.vdma.org/>
Member of WSM (Trade Association Steel and Metal Processing) <https://www.wsm-net.de/>
- Responsible Minerals Initiative <https://www.responsiblemineralsinitiative.org/conformant-tungsten-smelters/>
- Powder Metallurgy Professional Association (FPM) www.pulvermetallurgie.com

Outlook

Gührling is committed to a continuous review, further development and improvement of its own measures. The efficiency and effectiveness of all human rights and environment related due diligence obligations must be ensured at all times. Effectiveness checks take place event-driven and at least once a year.

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