

Supplier Code of Practice

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1 Motivation

The companies of the Theo Müller Group (hereinafter referred to individually and collectively as "**UTM**"), as manufacturers of high-quality products, are aware of their social, ethical and ecological responsibility throughout the entire supply chain. This **Supplier Code of Practice** serves to ensure compliance with corporate duties of care and defines non-negotiable social, ethical and ecological minimum requirements that must be observed and complied with by suppliers, service providers, contractors, contract manufacturers (co-packers) and licensees (hereinafter uniformly referred to as "**suppliers**") in business relationships with UTM.

The Supplier Code of Practice is an instrument for fulfilling the corporate due diligence obligations of the German Supply Chain Due Diligence Act ("**LkSG**") and is based on the following international standards:

- Universal Declaration of Human Rights
- United Nations Conventions on the Rights of the Child
- International Covenant on Civil and Political Rights of 19.12.1966
- International Covenant on Economic, Social and Cultural Rights of 19.12.1966
- Core Labour Standards of the International Labour Organization ("**ILO**")¹
- Environmental agreements regarding mercury, persistent organic pollutants and hazardous wastes²
- OECD Guidelines for Multinational Enterprises
- Ten Principles of the UN Global Compact

UTM is aware that the implementation of responsible production methods and sustainability requirements are dynamic processes and has therefore set itself the goal of constantly reviewing and continuously developing the existing minimum requirements at least once a year. The continuous improvement of quality and these requirements are key elements of UTM's approach to supplier management. UTM looks forward to engaging suppliers in an open dialogue on meeting these requirements. UTM itself uses a number of tools to review and assess suppliers and drive continuous improvement, such as the Balanced Supplier Score Card (BSSC), risk-based supplier audits, and corporate social responsibility (CSR) assessments.

¹ ILO Forced or Compulsory Labour Convention **No. 29** of 11 June 1947 and **Protocol** of 11 June 1947 to ILO Forced or Compulsory Labour Convention No. 29 of 28 June 1930; ILO Freedom of Association and Protection of the Right to Organise Convention **No. 78**, as amended by the Convention of 26 June 1961; ILO Application of the Principles of the Right to Organise and to Bargain Collectively Convention **No. 98**, as amended by the Convention of 26 June 1961. ILO Convention **No. 100** concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; ILO Convention **No. 105** concerning the Elimination of Forced Labour; ILO Convention **No. 111** concerning Discrimination in Respect of Employment and Occupation; ILO Convention **No. 138** concerning the Minimum Age for Admission to Employment; ILO Convention **No. 182** concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

² **Minamata Convention** of 10 October 2013 on Mercury; **Stockholm Convention** of 6 May 2005 on Persistent Organic Pollutants of 23 May 2001 (POPs Convention, last amended by the Decision of 6 May 2005; **Basel Convention** on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of 22 March 1989, last amended by the Ordinance of 6 May 2014.

2 Requirements for Suppliers

2.1 Human Rights and Labour Rights

2.1.1 Labour Rights

The supplier shall inform its employees of their rights and working conditions and conclude written employment contracts with them, to the extent required by national laws or regulations.

2.1.2 Right of Freedom of Association and the Right to Collective Bargaining

The supplier shall respect the right of employees to freely and democratically form or join trade unions and shall not use the formation, joining or membership as a reason for unjustified discrimination or retaliation. The supplier acknowledges that trade unions may operate freely and in accordance with national law. This includes in particular the right to strike and the right to collective bargaining. The supplier shall not prevent employee representatives from accessing or interacting with employees in the workplace.

2.1.3 Prohibition of Discrimination

The supplier shall refrain from and prevent any form of unequal treatment of its employees, for example on the basis of national or ethnic affiliation, social origin, health status, disability, sexual orientation, age, gender, political opinion, religion or belief, unless this is justified in the circumstances of the employment. The supplier shall refrain from any unequal treatment of employees in their recruitment, further training, promotion and remuneration. The supplier shall select, hire and promote employees on the basis of their qualifications and skills.

2.1.4 Right to Adequate Remuneration and Social Benefits

The supplier is obliged to pay its employees an adequate wage. The adequate wage shall be determined by the regulations of the place of employment and shall not be less than the minimum wage established by applicable law or, if higher, the industry standards approved on the basis of collective bargaining. The supplier shall respect the right of its employees to adequate remuneration, so that it is sufficient to enable them and their families to live in dignity, as well as to social benefits granted by law. Wages shall be paid on time, regularly and in full in a legal tender. Deductions from wages shall be permitted only under the conditions prescribed by law or established by collective bargaining agreements and shall not be permitted as a mere disciplinary measure.

2.1.5 Prohibition of Child Labour and Protection of Young Employees

Child labour is prohibited. The supplier shall neither directly nor indirectly employ children below the minimum permissible age, whereby the minimum permissible age corresponds to the age at which compulsory schooling ends according to the applicable national law of the place of employment. In the absence of national regulations, ILO Convention No. 138 shall apply, according to which children under the age of 15 shall not be employed, either directly or indirectly, unless the exceptions of Art 6 and 7 of ILO Convention No. 138 are applicable. The supplier shall not directly or indirectly employ children under the age of 18 in violation of the prohibition of the worst forms of child labour as defined in Art. 3 of ILO Convention No. 138. The supplier will establish reliable age verification mechanisms as part of its hiring process. It will pay particular attention to the dismissal of children, as they may find themselves in more hazardous work conditions. If children are absent from the workplace or if the supplier identifies child labour in any form, it shall immediately take initiatives to identify and implement measures to ensure the protection of the child concerned. When employing juvenile workers, the supplier shall ensure that the nature of the work does not adversely affect their safety, health, development or morals, and that their working hours do not interfere with their participation in vocational training programs recognized by the competent bodies or with their ability to benefit from instruction.

2.1.6 Prohibition of Forced Labour

The supplier takes appropriate measures to ensure that it does not directly or indirectly employ persons in forced labour. This is understood to mean any work or service that is required of a person under threat of punishment and for which he or she does not voluntarily make himself or herself available, such as bonded labour, human trafficking, slavery, practices similar to slavery, servitude or other forms of domination or oppression in the vicinity of the place of work. The supplier shall ensure that workers are not subjected to inhumane or degrading treatment, corporal punishment, mental or physical coercion, or any form of abuse or verbal abuse, and that they may terminate employment of their own volition and with reasonable notice. Indicators of forced labour employment may include, but are not limited to, withholding wages, restricting an employee's freedom of movement, creating unacceptable working and living conditions by working in hazardous conditions or employer-

provided unacceptable housing, or excessive levels of overtime. The supplier ensures in the direct and indirect use and hiring of migrant workers, that migrant workers and migrants are not required to make unlawful payments or deposits in order to obtain employment. The supplier will only engage responsible labour agencies.

2.1.7 Occupational Health and Safety

The supplier undertakes to take effective measures to prevent potential accidents, injuries and/or illnesses of employees as well as any forms of health hazards that may arise at work or be related thereto. The supplier undertakes to comply with the obligations of occupational health and safety and fire protection legislation under the applicable national law or, if the national legislation is inadequate or deficient, to comply with international standards. Active cooperation between management and employees or their representatives is essential to ensure safe and healthy working conditions. In particular, the supplier commits to:

- effective and sufficient safety standards in the provision and maintenance of the workplace, the workplace and the work equipment, in particular to provide sufficient escape and emergency exits;
- establish and maintain safety standards to prevent exposure to chemical, physical or biological agents;
- take actions to train employees sufficiently and to instruct them in the relevant statutory health and safety regulations and to ensure that these are repeated regularly and when necessary, e.g. when employees are assigned to a new area of responsibility;
- provide regular health, safety and emergency trainings to its employees and document the training; and
- take actions to prevent excessive physical and mental fatigue, in particular by organising work appropriately in terms of rest breaks and working hours.

The supplier shall ensure that systems are in place to identify, assess, prevent and control potential risks to workers' health and safety. All occupational health and safety measures must be free of charge for workers (ILO Convention No. 155). Minimum requirements include: the provision of drinking water, adequate lighting, temperature control and ventilation, adequate sanitary facilities and personal protective equipment, and appropriately equipped workplaces and occupational health care and related facilities.

2.1.8 Working Hours

The supplier undertakes to comply with the applicable national statutory working time regulations, including the regulations on overtime, breaks, rest periods and holidays as well as paid sick days and parental leave. If there are no statutory provisions or minimum standards, the international standard of the ILO Convention No. 1 concerning Working Time in Industry of 1919 of a maximum of 48 hours per week and the ILO Convention No. 14 concerning Weekly Working Time in Industrial Establishments of 1921 of a break of at least 24 hours every 7 days shall apply. The ILO Convention No. 14 concerning Weekly Working Time in Industrial Establishments, 1921, allows a maximum of 8 hours of overtime per week and 12 hours of overtime in certain industries on an intermittent basis and in emergencies such as urgent repair work.

2.1.9 Natural Resources

The supplier shall not cause any harmful soil alteration, water or air pollution, harmful noise emission or excessive water consumption, which is likely to:

- significantly damage the natural basis for sustaining the production of food,
- deny a person access to safe drinking water,
- deprive a person of access to, or destroy, sanitary facilities; or
- harm the health of any person.

The supplier shall refrain from any unlawful eviction and any unlawful taking of land, forests or waters in the acquisition, development or other use of land, forests or waters the use of which secures the livelihood of any person.

2.1.10 Use of Security Forces

The supplier shall refrain from hiring or using private or public security forces to protect a business project if, due to lack of instruction or control by the supplier, there is a risk of the security forces being used in violation of the prohibition of torture and cruel, inhuman or degrading treatment or against life and limb or against freedom of association.

2.1.11 Serious Violation of Protected Rights

The supplier shall not carry out any actions, or refrain from any actions, in breach of its duties which are directly capable of seriously violating the rights protected in sections 2.1.1 through 2.1.10 and the unlawfulness of which is obvious on a reasonable assessment of all circumstances in question.

2.2 Environmental Protection

2.2.1 Avoidance of Environmental Risks and Conservation of Resources

The supplier shall take appropriate measures to ensure that the environmental impact of its business activities on the community, natural resources and the environment is kept to a minimum and shall actively take and implement measures to promote environmental protection. The supplier shall comply with applicable local and internationally recognised environmental standards and laws and ensure that all required environmental permits and approvals are obtained, valid, up to date and followed. The supplier shall avoid or continuously reduce environmental impacts due to resource and energy consumption, emissions of greenhouse gases and air pollutants, water consumption, discharges into soil and water as well as the resulting waste. The supplier shall in particular:

- comply with the requirements of the Minamata Convention in the manufacture of products containing mercury, in the use of mercury in manufacturing processes and in the treatment of mercury waste,
- comply with the Stockholm Convention restrictions on the production and use of persistent organic pollutants (POPs) and their non-environmentally sound handling and disposal; and
- refrain from cross-border movements (import and export) of hazardous wastes prohibited under the Basel Convention.

The supplier must always be able to prove the origin of the raw materials used up to the point of origin (at least country of origin).

2.2.2 Climate Protection

The supplier is aware that UTM is striving to reduce its CO₂ emissions and thus contribute to achieving the goals agreed upon at the climate conference in Paris. The supplier is therefore encouraged to continuously minimise its energy consumption and greenhouse gas emissions, its carbon footprint, its water consumption and its waste generation and to strive for a continuous improvement of its carbon footprint. The supplier shall strive to align its business model and corporate strategy with the transition to a sustainable economy and with limiting global warming to 1.5°C in line with the Paris Agreement.

2.2.3 Animal Protection

The supplier shall comply with applicable laws and regulations on animal welfare and protection.

2.3 Business Integrity

2.3.1 Antitrust and Competition Law

It is UTM's business policy to fully and unconditionally comply with the requirements of European and national competition law. The supplier will comply with applicable competition and antitrust laws. The supplier will ensure that there is no exchange of competitively sensitive information between competitors, nor will it otherwise restrict competition in an inadmissible manner.

2.3.2 Prohibition of Corruption

The supplier will reject prevent any form of corruption, and also will ensure that its agents, employees or upstream suppliers within the meaning of section 3 do not give, offer, demand or accept bribes, kickbacks, improper donations or other improper payments or benefits to customers, public officials or other third parties.

2.3.3 Prohibition of Money Laundering

The supplier shall not engage in money laundering and shall comply with the regulations applicable to it for the prevention of money laundering.

2.3.4 Export Control and Sanctions

The supplier shall ensure that all applicable statutory provisions for the import and export of goods, services or information as well as sanctions regulations are strictly complied with and shall ensure a check against the applicable sanctions lists.

2.3.5 Data Protection

The supplier shall process personal data only in a lawful manner, in compliance with the applicable data protection regulations, safeguard the rights of the data subjects and, in particular, ensure adequate data protection by means of appropriate technical and organisational measures. If the supplier processes personal data on behalf of UTM, it shall conclude an agreement on contract processing for this purpose.

3 Implementation of the Requirements

Compliance with the requirements formulated in this Supplier Code of Practice is an essential component of the business relationship. The Supplier is obliged to comply with this Supplier Code of Practice and recognises it as an integral part of all contracts with UTM. The supplier is obliged to inform its employees and upstream suppliers of its contents and the resulting obligations and requirements, to pass these on in its upstream supply chain and to implement them by means of appropriate contractual regulations. The term 'upstream supplier(s)' includes all suppliers, service providers, contractors, co-packers and licensees of the supplier (hereinafter uniformly referred to as '**upstream suppliers**'). The supplier may also implement further regulations. It may agree other codes of practices with its upstream suppliers which correspond to, or go beyond, the requirements of this Supplier Code of Practice.

If the Supplier is subject to the obligations of the LkSG (or comparable national regulations), it assures compliance with the corresponding obligations within its upstream supply chain. The Supplier acknowledges that UTM has the right to amend the Supplier Code of Practice at any time, also in the current contractual relationship, insofar as this is necessary to comply with applicable law. In the event of an amendment to the Supplier Code of Practice, the Supplier shall be informed in an appropriate manner.

3.1 Risk Management

The supplier is obliged to establish an effective and appropriate risk management system which is to be anchored in all relevant business processes by means of appropriate measures. Effective measures are those that make it possible to identify and minimise human rights risks and environmental risks and to prevent, end or minimise violations of human rights or environmental obligations. As part of its risk management, the supplier must conduct an appropriate risk analysis to identify the human rights risks and environmental risks in its own operations, at its immediate upstream suppliers and in the wider supply chain. The supplier shall ensure that the results of the risk analysis are communicated internally to the relevant decision-makers, such as the management or the procurement department. The risk analysis must be carried out at least once a year and on an ad-hoc basis if the supplier must expect a significantly changed or significantly expanded risk situation in the supply chain. Knowledge obtained by the supplier in the course of a complaints procedure shall be taken into account. The supplier is obliged to provide the time and resources to implement systems for risk management, and also to develop and implement processes and guidelines to fulfil the requirements described in the Supplier Code of Practice in both its own operations and its supply chain, including the periodic review of these arrangements. This includes, among other things, informing and training employees about the content of the requirements.

The supplier is recommended to appoint a responsible person to monitor risk management and to issue a policy statement on its human rights strategy, unless there is already a statutory obligation to do so.

3.2 Establishment of Complaint Mechanisms

UTM provide a complaint procedure through which affected persons can bring to the attention of UTM human rights and environmental risks, including violations of relevant obligations arising from the actions within its own operations or those of its suppliers. The supplier will not attempt to prevent potential whistle-blowers from informing the UTM of grievances related to the operations of the supplier or its upstream suppliers. If the UTM receives information about grievances that affect the operations of the supplier or its upstream suppliers, the supplier will cooperate with the UTM in order to investigate and evaluate these.

The supplier shall also establish and publicly disclose easily accessible, predictable, impartial, fair, transparent and barrier-free complaint mechanisms for the prevention, investigation, mitigation of harm to workers as well as workers within its upstream supply chain that meets the following requirements:

- comprehensive disclosure of the complaint mechanisms and contact persons;
- the right to anonymity in filing a complaint either through a person or third party bound to secrecy thereby guaranteeing the confidentiality of the identity of the whistle-blower;
- transparent processes for dealing with complaints and their documentation in compliance with the applicable data protection regulations;
- possibility to involve employee representatives, if desired;
- no disadvantages or punishment for whistle-blowers and employees who file complaints;
- periodically review of the effectiveness of the complaint mechanism

The supplier will inform its contact person within UTM (usually the responsible buyer in Group Procurement) immediately if it becomes aware of violations of the requirements of the Supplier Code of Practice either within its company or in the supply chain, or if it receives complaints in this regard. UTM will inform the supplier if it becomes aware directly of such violations or receives complaints in this regard.

The Supplier shall investigate complaints and identified violations, take them into account in its risk analysis and preventive measures, take any necessary remedial action without delay and also document this to UTM. The supplier is prepared to develop, agree and implement concepts and schedules for the implementation of preventive and remedial measures together with UTM. If the involvement of direct or indirect upstream suppliers of the supplier is a suitable means, the supplier shall name these and enable UTM to exchange information with these suppliers, while complying with competition law requirements, the protection of business secrets and data protection. The supplier is also prepared to work together with UTM to influence upstream suppliers to implement suitable preventive and remedial measures.

3.3 Verification of Compliance

To verify compliance with the Supplier Code of Practice and the measures taken, UTM or its customers are, at any time, entitled to:

- demand that the supplier answers questions, provides self-disclosure and makes relevant information (e.g. documents, documentation, reports, certificates) available;
- inspect the premises and facilities of the supplier and its affiliates during normal business hours; and
- talk to employees and other relevant persons inside and outside the premises

This entitlement is subject to compliance with all applicable laws, in particular competition law provisions, the protection of business secrets and data protection. UTM may at its discretion engage third parties to undertake these inspections on its behalf. All third parties engaged in these activities are bound to secrecy. UTM is entitled at any time to request information on the implementation of the Supplier Code of Practice from the supplier to comply with its own due diligence obligations and to make this information available to its customers. The supplier shall endeavour to agree on corresponding rights for UTM and its customers in the contracts with its upstream suppliers and to work towards these agreeing on corresponding regulations in turn with their suppliers throughout the entire supply chain.

The supplier is generally prepared to undergo a sustainability rating, to make it available to UTM and to work together with UTM on continuous improvement.

3.4 Non-Compliance

The supplier's agreement to the Supplier Code of Practice is an essential requirement that supports UTM's decision to enter into or continue a business relationship with the supplier. The Supplier Code of Practice becomes part of all contracts that the supplier enters into with UTM companies. Violations of the Supplier Code of Practice and lack of efforts to remedy them may lead to suspension or termination of the business relationship.

Without limiting its other rights and subject to applicable law, UTM may terminate contracts with the supplier in whole or in part without notice periods in the following circumstances:

- the supplier breaches material obligations of the Supplier Code of Practice or fails to remedy a breach of the Supplier Code of Practice within 10 working days of receipt a written request from UTM
- the supplier does not implement agreed measures to remedy deficiencies, including concepts and schedules as defined in section 3.2, within the agreed timeframe



- the supplier, its direct or indirect shareholders, beneficial owners, managers, employees, contractors or vicarious agents are subject to economic or legal restrictions imposed by governmental or supranational authorities (personal or organisational sanctions)
- the circulation or use of the supplier's goods or services procured by UTM is restricted by governmental or supranational authorities (goods- or service-related sanctions)

Unternehmensgruppe Theo Müller

signed, Marcus Almeling
Group Chief Financial Officer

signed, Klaus Meißner
Head of Group Procurement