

December 15, 2022

Re: Embracing sustainability and remaining compliant to strengthen human rights in our supply chains

Dear Supplier,

As **part** of our **sustainability strategy, we aim to have sustainable and transparent supply chains** and to **comply with statutory regulations** such as the [German Supply Chain Due Diligence Act](#). Against this background, we have established a dedicated compliance management system. We cordially invite you to familiarize yourself with the full structure and the expectations arising from the law, as these will guide our interactions from 2023 on.

1- The Supply Chain Act: Ensuring human rights into our value chain

With the German Supply Chain Due Diligence Act taking effect in January 2023, companies based in Germany like us are required to comply with and report on a specific set of regulations to ensure greater protection of human rights and environmental concerns. The Act affects our company including all our subsidiaries worldwide, our suppliers and sales intermediates. As a potential consequence, failure to meet the law's requirements may result in **financial fines, exclusion from tenders, social liabilities**, along with **potentially serious harm** to our **public image**. Furthermore, it is expected that further similar regulations will be put in place by different regulators soon.

2- How can we manage and mitigate the risks together?

Our assessment methodology and risk analysis process for suppliers is based on reliable data and ratings from EcoVadis, Together for Sustainability (TfS) and the Pharma Supply Chain Initiative (PSCI). Our goal is to create transparency and monitor both proactively and reactively the sustainability performance of our suppliers.



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Board:
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Chief Executive Officer and General Partner: Belén
Garijo (the Chairman),
Kai Beckmann, Peter Guenter, Matthias Heinzl,
Marcus Kuhnert

Building on that, we would like to draw your attention to two key measures:

a. Our Supplier Code of Conduct frames our expectations and protects our joint business relationship

Effective January 1, 2023, our Supplier Code of Conduct **frames** the **expectations** and **cornerstones** of a **business relationship** with our suppliers. It is based on our Human Rights Charter, **which is available** at emdgroup.com.

To ensure that we fully embed it as part of our business relationship, as of January 1, 2023, **a clause referring to the Supplier Code of Conduct** will be **integrated into our General Terms & Conditions of Purchase** and form part of all **procurement contracts**. It is not retroactive for contracts prior to 2023.

As we work towards making sustainable supply chains a firm element of our sustainability strategy, **we kindly ask you to [familiarize yourself](#) with it and to comply with these principles – your commitment counts.**

b. A grievance mechanism is in place for our suppliers' employees

Our compliance hotline is **available to anyone inside or outside our company**, including our suppliers and other third parties. Anybody can report (anonymously) any suspected concerns or observed violations of our Supplier Code of Conduct. We sincerely invite you to inform us through the compliance hotline (www.bkms-system.net/ISPEAKUP) and to actively assist in any related investigations so that we can address reported cases.

3- Continuing our supplier decarbonization journey

Another fundamental pillar of our sustainability strategy is our aim to reduce greenhouse gas emissions along our supply chain. To reach climate neutrality by 2040, we have established [our Supplier Decarbonization Program](#) to work with you towards these ambitions. As part of this, we also encourage you to calculate the carbon footprints of your products and services, and recommend TfS's PCF Guideline for the Chemical Industry, if applicable to you.

We hope this letter helps you to gain a better understanding of the upcoming regulation and our plans to continue integrating sustainability and human rights into our joint value chain.

We count on your commitment and willingness to understand the law's expectations and to protect our supply chains. Thank you very much in advance for your collaboration. We look forward to continuing our business relationship with you.

Kind regards,



Joachim Christ
Executive Vice President
& Chief Procurement Officer



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