



OTTO FUCHS

OTTO FUCHS Group Supplier Code of Conduct

OTTO FUCHS KG

Derschlager Straße 26
58540 Meinerzhagen
Deutschland
T. +49 2354 73-0
F. +49 235 73-201
info@otto-fuchs.com
www.otto-fuchs.com

OTTO FUCHS Surface Technology

Gewerbepark Grünewald 10
58540 Meinerzhagen
Deutschland
T. +49 2354 9448-0
surface@otto-fuchs.com
www.otto-fuchs.com

OTTO FUCHS Dülken GmbH & Co. KG

Heiligenstraße 70
41751 Viersen
Deutschland
T. +49 2162 956-6
F. +49 2162 956-762
duelken@otto-fuchs.com
www.otto-fuchs-duelken.de

OTTO FUCHS Hungary Kft.

Búzavirág utca 12
2800 Tatabánya
Ungarn
T. +36 34 516 500
F. +36 34 312 578
Info.hu@otto-fuchs.hu
www.otto-fuchs-hungary.com

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1. Preamble

Entrepreneurial thinking intertwined with social responsibility – this has shaped the way we work at OTTO FUCHS, a family business, from the very outset. Thanks to our premium-quality products, we have established a leading position in our field. Our history spans more than a century and, in that time, we have grown to become a global corporation that places a great deal of importance on collaborating with its employees¹, customers and partners.

In addition to our technical performance, innovation, expertise and quality, we attribute this success to our responsible and ethical behaviour. These integral components of our system of values will continue to shape the way we work in the future. At the same time, companies are finding themselves subjected to an increasing number of legal and social demands and we must ensure that we satisfy these. It is important that everyone takes responsibility for this.

Our suppliers must therefore also fulfil all relevant legal and ethical requirements and comply with the recognised environmental, social and corporate governance standards.

This Supplier Code of Conduct (hereinafter referred to as the ‘Code of Conduct’) therefore sets out all of the binding requirements for this and – in addition to other contractual agreements, such as our General Conditions of Procurement or other existing (framework) agreements – creates a common foundation for responsible procurement. The content of this Code of Conduct builds on tried-and-tested principles. At its core is integrity, honesty and respect, as well as a sustainable and responsible approach, particularly when it comes to observing human rights.

To work with us from now on, our contractual partners must agree to the Code of Conduct below. This forms the basis for all future deliveries.

Every supplier must commit to adhere to the principles and requirements of the Code of Conduct and oblige their subcontractors to also comply with the standards and guidelines set out in this document. Suppliers must inform their subcontractors of the requirements of this Code of Conduct and take suitable measures to ensure compliance with the requirements stipulated in this Code of Conduct throughout their entire supply chain.

If this Code of Conduct is violated, OTTO FUCHS may – as a last resort – terminate all business relationships, including all associated supply agreements.

2. Basis and scope

The OTTO FUCHS Code of Conduct is based on German laws and regulations, such as the German Supply Chain Due Diligence Act (LkSG), as well as international conventions, such as the United Nations (UN) Universal Declaration of Human Rights, the Children’s Rights and Business Principles, the UN Guiding Principles on Business and Human Rights, the International Labour Organization’s (ILO) international labour standards and the UN Global Compact.

¹ To improve readability, we have used ‘they/their’ as gender-neutral singular and plural pronouns throughout. Any pronouns refer to all genders equally.

3. Requirements for suppliers

3.1 Social responsibility

Internationally recognised human rights must be respected and observed. Suppliers shall ensure that this is supported with a suitable due diligence process in their supply chain. Appropriate measures must be taken as soon as there is any suspicion of any negative effects on human rights.

3.1.1 Ban on child labour

Suppliers must comply with the recommendations from the ILO conventions on the minimum age for employees. These state that employees must not be younger than the age at which compulsory education ends in line with the law in the place of employment. In any case, employees must not be younger than 15 years old. Young employees below 18 years old must not be deployed for work that could be harmful to the health, safety or morality of children, or that could jeopardise their education. Compliance with special protective provisions for minors must be ensured.

3.1.2 Exclusion of forced labour

All employment must be entered into by choice and without threat of penalty. Forced labour, slavery and similar must be prohibited. Before they start work, all employees must receive freely agreed work documents in a language that they understand, which respect their statutory and contractual rights. Employees must be allowed to retain control over their identification papers (e.g. passport, work permit or any other personal document). The employer must not use physical restrictions to impair the employees' freedom of movement. Suppliers shall ensure that throughout their entire induction phase and period of employment employees do not have to pay fees or make other payments in order to be employed. Penalisation, psychological and/or physical coercion are prohibited. Disciplinary guidelines and procedures must be clearly defined and communicated to the employees. Employees must be able to end their employment relationship at any time, subject to an appropriate notice period.

3.1.3 Fair pay and working hours

Suppliers shall pay their employees appropriately and comply with legal minimum wages, those determined in collective agreements and those which are customary in the sector in question. Suppliers shall also adhere to standards on working hours, annual leave, breaks, overtime and other benefits. Every employee must be able to cover their family's basic needs and have some disposable income in addition to this. Employees shall be paid regularly and in the legal tender. Suppliers shall ensure that their employees receive transparent information about the composition of their pay. Illegal and unjustified pay deductions and deductions as disciplinary measures are not permitted.

3.1.4 Non-discrimination and equal treatment

Diversity, equal opportunities and integration must be actively promoted and any form of discrimination must be discouraged within the scope of the applicable rights and laws.

In particular, potential discrimination faced by women must be countered using suitable measures in line with the Women's Empowerment Principles of the UN Global Compact.

Furthermore, employees must not suffer discrimination on the basis of their ethnic, national, cultural or social background, a disability, their religion or world view, their age, their sexual orientation, their political views or trade union membership.

Equal opportunities must prevail in recruiting, employing and remunerating staff. Any form of psychological, physical, sexual or verbal abuse, intimidation, threat or harassment must not be tolerated. The privacy of employees must be respected.

The rights of minorities and indigenous peoples must be respected and ensured.

3.1.5 Freedom of association and collective bargaining

An employee's right to found organisations of their choice, to represent these, to engage in collective bargaining and to strike must be respected. In cases where freedom of association and the right to collective bargaining are restricted by law, alternative options must be granted for an independent and free employee union for the purpose of collective bargaining. Employees must not suffer discrimination if they have founded, represented or become a member of an organisation of this kind. Employee representatives must be granted free access to their colleagues' workplaces to ensure that they can exercise their rights in a lawful and peaceful manner.

3.1.6 Occupational health and safety

OTTO FUCHS expects its suppliers to ensure that occupational health and safety is maintained to a high level.

Every supplier is responsible for providing a safe and healthy working environment. Appropriate occupational safety systems must be set up and applied to ensure that the necessary precautions are taken against accidents and damage to health that can arise in connection with the activity in question. Suitable measures must be applied to prevent excessive physical or mental fatigue. In addition, employees must receive regular information and training on relevant health and safety standards, as well as safety measures. Employees must be granted access to a sufficient amount of drinking water and to clean sanitary facilities.

3.1.7 Protection from forced eviction and rights to property

Suppliers shall not seize any land, forest or body of water used to support the livelihood of persons in violation of legitimate rights, including the collective and traditional rights of women, indigenous peoples and local communities. When suppliers acquire or build on land, forests or bodies of water, or use these in any other way, they must obtain free, prior and informed consent (FPIC) from existing land users.

Harmful changes to the soil, water pollution, air pollution, noise emissions and excessive water consumption are prohibited, particularly if these are harmful to human health, have a significant impact on the natural foundations of food production or prevent people from having access to clean drinking water and sanitary facilities.

3.1.8 Use of private or public security forces

If private or public security forces are used or commissioned, measures must be taken to minimise the risk of human rights violations, particularly the risk of torture and cruel, degrading

and inhuman treatment, injury to life or limb, or interference with the freedom of association and right to organise.

3.2 Ecological responsibility

We are obliged to protect the environment for the present generation and for future generations. Products and services from suppliers may not endanger humans or the environment and must fulfil the standards agreed or prescribed by law with regard to product safety. Laws that have been passed to protect the environment must be observed and environmental awareness must be encouraged amongst the employees.

In particular, biodiversity, land exploitation and deforestation should be mentioned here, as these are closely linked and have far-reaching consequences on the environment and the ecosystem. To fulfil our obligation, we must preserve biodiversity and minimise the negative impacts of land exploitation and deforestation. We expect the same from our suppliers.

3.2.1 Conservation of resources

Suppliers shall reduce their consumption of raw materials to a minimum in all business activities. In particular, suppliers must take care to use energy and water sparingly. Renewable resources must be preferred if this is possible. Suppliers are requested to strive for the latest technical standards to achieve the most efficient use of resources possible. Suppliers shall volunteer environmentally friendly alternatives to the technical solutions deployed hitherto by OTTO FUCHS.

3.2.2 Prevention and reduction of ecological damage

Suppliers shall reduce all emissions to a minimum in accordance with the state-of-the-art. They shall control emissions of pollutants and process these before releasing them into the environment. Waste must be avoided or recycled as far as possible. The materials used should be reused if this is possible. Suppliers shall develop procedures to regulate the transport and storage of waste, as well as treat and dispose of waste in a harmless and environmentally friendly way. Substances that – if released – pose a danger to humans and the environment must be avoided if possible. Suppliers shall also introduce a system to manage hazardous materials which ensures that they are used, transported, stored, processed, reused and disposed of safely and securely.

3.2.3 Eco-friendly products

When developing products and services, suppliers shall take care that these make sparing use of energy and natural resources. Furthermore, products should be suitable for reuse, recycling or harmless disposal.

3.2.4 Product content

We expect our suppliers to use responsible chemical-management methods that meet all of the legal and regulatory requirements and rules on product content, including but not limited to:

- End of Vehicle Life (ELV) and International Material Data System (IMDS)
- Registration, Evaluation, Authorization, & Restriction of Chemicals (REACH)
- Substances of Concern in Articles or Products (SCIP)
- California Proposition 65 (Prop 65)
- Toxic Substance Control Act (TSCA)
- Persistent Organic Pollutants (POPs Regulation)
- Restriction of Certain Hazardous Substances (RoHS)
- Minamata Convention

We expect our suppliers to fully cooperate with OTTO FUCHS to meet these and other initiatives on product content, recycling, environmental protection, sustainability, health and safety, and when it comes to the use of conflict minerals (see point 3.3.3).

3.3 Ethical business practices

Suppliers shall always observe the relevant laws, regulatory provisions and internationally recognised principles in their business dealings.

3.3.1 Integrity and avoiding conflicts of interest

The highest integrity standards must form the basis of all business activities and be maintained throughout these. Suppliers must apply a zero-tolerance policy when it comes to all forms of bribery, corruption, blackmail and fraud. They shall apply procedures for monitoring and implementing standards to ensure adherence to anti-corruption legislation. They shall not promise or grant any benefits to unduly influence actions or to gain an undue advantage. All of the suppliers' transactions must be documented in their books according to statutory provisions.

3.3.2 Fair competition

Suppliers shall comply with the standards of fair trade, fair advertising and fair competition. Adherence to the relevant antitrust laws, which prohibit agreements and other activities that affect prices, conditions and other parameters covered by competition law when dealing with competitors, must be ensured. Furthermore, these regulations prohibit agreements between customers and suppliers which are intended to restrict customers in their freedom to determine their prices and other conditions autonomously when it comes to reselling.

3.3.3 Use of raw materials from conflict zones

In accordance with the 'Dodd-Frank-Act' passed in the USA to prevent raw materials from conflict zones from entering the supply chain, the materials concerned, such as tantalum, tungsten, tin and gold, may not be procured from the Democratic Republic of Congo or its neighbouring states. Suppliers are also advised that, in line with the Minamata Convention (German Federal Law Gazette [BGBl.] 2017 || p. 610, 611), the use of mercury and mercury compounds is also prohibited.

3.3.4 Information security and data protection

During the collection, saving, processing and transmission of data, suppliers must observe the national laws and those valid for the respective country relating to data protection and information security, and observe official requirements.

3.3.5 Customs regulations and export control

Suppliers shall commit to adhere to all legal provisions on the import and export of services, goods and information, and shall observe any relevant lists of sanctions.

3.3.6 Prevention of money laundering

Suppliers shall comply with all applicable laws and regulations aimed at tackling money laundering. They shall keep financial records and prepare reports according to international laws and regulations.

4. Implementation

OTTO FUCHS expects its suppliers to continuously monitor the risks within supply chains, identify specific adverse effects and take appropriate measures to resolve these. If there is any suspicion of violations and to protect supply chains with greater risks, suppliers shall inform OTTO FUCHS promptly and regularly, if necessary, about the violations and risks that they have identified and the measures that they have taken.

4.1 Management systems

OTTO FUCHS prefers suppliers that actively use a quality management system in accordance with ISO 9001 or other industry-specific standards, such as IATF 16949 or EN/AS 9100, an environmental management system in accordance with ISO 14001, an energy management system in accordance with ISO 50001 as well as an occupational health and safety management system in accordance with ISO 45001, or equivalent systems. A management system for social responsibility orientated to SA8000 stipulations and ISO 31000 for risk management and ISO 27001 for information security is recommended.

4.2 Audit

Suppliers must submit to OTTO FUCHS upon request all the information necessary for implementing the requirements of this Code of Conduct correctly and comprehensively as part of a self-assessment. Suppliers shall also provide other information to demonstrate compliance with the Supplier Code of Conduct. OTTO FUCHS shall monitor the implementation of these guidelines. Suppliers must notify us of events that obstruct the principles of the Supplier Code of Conduct.

4.3 Information and complaints management

OTTO FUCHS provide its employees and business partners with mechanisms for drawing attention to circumstances indicating that laws or other rules have been broken. To that end, OTTO FUCHS has nominated persons who can be contacted on Compliance matters and has appointed an external lawyer of trust (*Vertrauensanwalt*) whom employees and business partners can approach in confidence. You can find more information in the Compliance section of the OTTO FUCHS website.

4.4 Corrective action and right to termination

If a violation against the provisions of this Code of Conduct is determined, OTTO FUCHS shall inform the supplier immediately in writing and grant them an appropriate grace period to bring their behaviour in line with these provisions. If corrective action is not possible in the foreseeable future, the supplier shall indicate this immediately and work together with OTTO FUCHS to come up with a timeline to end or minimise the violation. If the grace period expires without any results or the measures in the concept are implemented without effect and there are no less drastic measures available, OTTO FUCHS may end the business relationship and terminate all contracts. In extraordinary circumstances, the right to termination without a grace period remains unaffected, particularly in the event of serious violations, as does the right to damages.