

## **Suppliers' Code of Conduct**

**(Sustainability standard for Encory  
GmbH's supplier network)**

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**Encory GmbH**  
Neuhofweg 5 – Gebäude P  
85716 Unterschleißheim  
Deutschland

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# List of Abbreviations

COC	Suppliers' Code of Conduct
Encory	Encory GmbH
ILO	International Labour Organisation

## List of changes

<b>Version</b>	<b>Description of changes</b>	<b>Created</b>	<b>Checked</b>	<b>Approved</b>	<b>Date of approval</b>
V.1.0	Original version	Stillner	Nolte	Singer	15.11.2019
V.2.0	Adaptation to the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG)	Stillner	Brauch	Nolte	26.05.2023

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## I. Preliminary note

Sustainability through active product reuse and the associated circular economy is at the core of all Encory business models. This sustainability is pursued in the internal activities at Encory and is also aimed at the service providers used, which are to be regularly reviewed, optimised and certified.

We have taken it upon ourselves to not only be a reliable and solution-oriented partner for our customers and service providers, but we also aim for ecologically and socially responsible corporate management.

We expect the same behaviour from all our suppliers and service providers. For the sake of readability, in the following text, only the term 'suppliers' is used, even though both suppliers and service providers are meant.

We also assume that our employees adhere to the principles of ecological, social and ethical behaviour and we have firmly embedded this in our corporate culture. Furthermore, we are committed to continuously optimising our business practices and services in the spirit of sustainability and encourage our suppliers to contribute to this holistic approach.

For future cooperation, we thus agree with our suppliers on the validity of the following regulations for a common code of conduct. These rules shall be considered as minimum requirements and can be voluntarily expanded by both parties at any time. This agreement also serves as the foundation for all future projects.

The contracting parties commit to complying with the principles and requirements of the Code of Conduct and will make an effort to contractually obligate their subcontractors to adhere to the standards and regulations outlined in this document.

This agreement takes effect upon signature.

A breach of this Code of Conduct may, in the last resort, provide grounds for the company to terminate the business relationships, including all related supply contracts.

The Code of Conduct is based on legal regulations, such as the German Supply Chain Sourcing Obligations Act (LkSG), as well as internationally recognised standards, such as the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights.

## II. Requirements for Encory suppliers

The following requirements for suppliers are derived, among other things, from legal requirements and our risk-based approach. To this end, we conduct regular or event-driven internal risk assessments for a portion of our suppliers. The results of these assessments are also verified through on-site audits.

### 1 Responsible business practices

As a fundamental requirement of our corporate values, Encory expects a consistently legal and responsible business operation. Therefore, we also require our suppliers to comply with all applicable laws, standards and regulations for all products and services. In particular, compliance with competition and antitrust laws, export control regulations, as well as requirements related to anti-corruption, prevention of money laundering and data protection is essential.

We encourage our suppliers to establish a compliance or corporate ethics department within their organisation. This department should create a code of conduct and regularly review its implementation and effectiveness.

### 2 Implementation of corporate due diligence

For Encory, it is an essential requirement that our suppliers fulfil their social and environmental responsibilities. Therefore, we expect our suppliers to establish a due diligence process with the appropriate measures to ensure that their own suppliers also adhere to the standards mentioned here.

### 3 Social responsibility

Social responsibility toward our employees and business partners is of paramount importance to Encory: Our suppliers must ensure that they do not commit human rights violations themselves and can also guarantee that they are not involved in such violations. We explicitly reject both the degradation and the threat of individuals responsible for safeguarding human rights within our business partners and ourselves. Likewise, we require our suppliers to ensure the protection of these individuals, including prohibiting actions or omissions that would significantly impair a protected legal position and whose unlawfulness is evident.

Therefore, we expect our suppliers to adhere to at least the following principles:

- Development of a policy on working conditions and human rights that covers at least the following topics: prohibition of child labour; young workers; wages and social benefits; women's rights; diversity, equality and inclusion; non-discrimination and harassment; working hours; prohibition of modern slavery; freedom of association and collective bargaining; land, forest and water rights; and forced evictions.
- Establishment of a department responsible for social sustainability.
- Establishment of a role within the risk management function specifically tasked with sustainability.
- Regular training of employees on this policy.

### **3.1 Prohibition of child labour**

Child labor is not tolerated by Encory in any way. Our suppliers are responsible for ensuring that all forms of child labour are prohibited in their own business operations and among their own suppliers.

- Prohibition of the worst forms of child labour (ILO 182).
- Persons under 18 years are considered minors and are therefore in need of protection (ILO 182). They should not be engaged in work that, by its nature or circumstances, could jeopardise their safety, health, or morals, such as night shifts or overtime (ILO 138).
- The minimum age for entering into an employment relationship complies with the requirements of the respective national law but is at least 15 years (ILO 138).
- Minor employees must have completed at least the general compulsory education before starting their employment. In addition, the working hours should not exceed 8 hours.

Furthermore, we expect our suppliers to prevent the recruitment, engagement, or offering of children for illegal activities. This includes, among other things, the trafficking and trade of drugs, prostitution, the production of pornographic materials and work that harms the health or morals of children.

### **3.2 Protection against discrimination**

Encory is committed to equality and does not tolerate any form of discrimination. The guiding principle for this commitment is the general prohibition of discrimination as outlined in Article 2(1) of the International Covenant on Civil and Political Rights from 19 December 1966.

Any form of unequal treatment in employment, based on factors such as gender, age, national or ethnic origin, health status, social background, disability, religion, belief, or political opinion, must be strictly prohibited. This includes, in particular, the payment of unequal wages for equal work.

### **3.3 Right to adequate remuneration**

Encory stands for fair, adequate and competitive compensation. We expect the same from our suppliers. They must ensure compliance with all applicable labour regulations, especially concerning wages, working hours and social benefits: This means in particular:

- Overtime must not exceed the legally established limits and should be compensated according to legal or contractual provisions.
- Payment of wages must be made at a specified time and in a transparent manner. Withholding of wages or s deductions from wages as a disciplinary action is prohibited.
- Wages must be sufficient to provide for a decent standard of living and must at least meet the locally applicable minimum wage regulations.
- Social benefits must be available according to the applicable laws (e.g., sick leave).

### **3.4 Working conditions, health protection and occupational safety**

For Encory, the protection and promotion of employee health are of the highest priority. Therefore, the supplier must adhere to all national and international laws and standards related to occupational safety that apply to



the operating location. This includes aspects such as health protection, compliance with legal working hours and break rules and occupational safety.

As a minimum requirement, we expect our suppliers to have an occupational safety policy in place.

Our suppliers must comply with the prohibition of harassment and discrimination, abuse and punishment involving any form of violence in the workplace. Special attention must be paid to the prohibition of using or contracting public or private security personnel to protect the business project if the use of such security personnel disregards the prohibition of torture, cruel, inhuman, or degrading treatment due to a lack of training or oversight, or if it threatens or even harms life and limb in any other way.

To ensure the preservation of employee health, the supplier must structure working hours to prevent workplace accidents resulting from mental or physical fatigue. This principle also applies to temporary work, outsourced work and the assignment of employees.

### **3.5 Prohibition of forced labour and slavery**

Encory does not tolerate forced or compulsory labour in any form. Our suppliers must also ensure that there is neither forced labour nor other forms of modern slavery, such as servitude and work done under duress and that human trafficking is not tolerated in any way. Specifically, this includes:

- Slave-like practices and all forms of slavery.
- Serfdom or other forms of oppression and/or domination, whether through sexual or economic exploitation and/or humiliation.
- Services and work demanded from an individual under the threat of punishment, for which the individual has not voluntarily offered themselves (ILO 29).

Employees must be allowed to leave the premises at the end of a working day. Additionally, employees must be free to terminate their employment with reasonable notice. The notice period should be at least in accordance with the legally prescribed notice period.

### **3.6 Working hours**

Encory prioritises the physical and mental health of its employees and expects the same from its suppliers towards their own employees.

The daily working hours must at least comply with legal requirements.

Likewise, the supplier must ensure compliance with break and rest periods.

### **3.7 Animal welfare**

Encory is committed to considering the well-being of animals in its business practices, not just the well-being of humans. We urge our suppliers to implement a standard and best practices for the processing of animal products that apply throughout the entire supply chain.

We also adhere to the following ethical principles and expect our suppliers to demonstrate the same behaviour throughout the entire supply chain:

- The principles established by the World Organisation for Animal Health (OIE) in the Terrestrial Animal Health Code regarding animal welfare.
- Compliance with the 3-R principle in animal testing (Reduction, Refinement, Replacement).
- The assessment of animal well-being in accordance with the five freedoms outlined by the Farm Animal Welfare Committee (FAWC).

If animal testing is not strictly required by law, we expect our suppliers to prefer alternative, cruelty-free methods. For this purpose, compliance with the national and international regulations on animal welfare and animal testing is required from the supplier.

### **3.8 Freedom of association and right to collective bargaining**

Encory acknowledges the right of employees to form workers' representation and engage in collective bargaining to regulate working conditions. Our suppliers must respect the right to unionise within their own facilities. The establishment, joining, or membership in a union should not be used for retaliation or discrimination. Unions must be allowed to operate freely within the legal framework of the workplace, including both the right to engage in collective bargaining and the right to strike.

The supplier must also ensure that security forces are not used to impede or obstruct the freedom of association of employees.

### **3.9 Rights of local communities**

Respecting national, local, international and traditional resource, water and land rights is a fundamental principle for Encory. Above all, the rights of local communities, as well as indigenous peoples and minorities along the entire supply chain, should be respected, protected and promoted in accordance with the "United Nations Declaration on the Rights of Indigenous Peoples."

The supplier commits to not engage in land grabbing and to adhere to the prohibition of unlawful forced evictions of land, waters and forests when acquiring, developing, or otherwise using these areas if they serve as the livelihood of a person. The supplier is obliged to obtain free, prior and informed consent- FPIC from the existing land user and must provide fair compensation if granted the right to use the land.

## **4 Ecological responsibility**

An efficient and prudent use of finite resources is of paramount importance to Encory. Taking responsibility for the environment is synonymous with protecting these finite resources for us.

The supplier must comply with all national and international environmental standards and laws. We also expect the supplier to refrain from harmful noise emissions, excessive water consumption, harmful soil alterations, water and air pollution when these significantly affect the natural foundations for food production, deny a person access to clean drinking water, harm a person's health, or make it more difficult or impossible for a person to access sanitation facilities.

Encory also requires its suppliers to continually reduce their environmental hazards and burdens while continuously improving environmental protection within their sphere of influence.

The ongoing minimisation of environmental impacts, particularly from pollutants, waste, or emissions and the consumption of resources, such as raw materials, energy and water, is a necessity. Therefore, the implementation, execution and regular review of measures resulting from an environmental management system at the supplier is indispensable. Regular employee training on sustainability and resource conservation is also essential.

#### **4.1 Resource conservation and circular economy**

As part of climate protection efforts, Encory expects its suppliers to ensure responsible resource management concerning resources such as water, raw materials, materials and energy while avoiding the wasteful use of these resources.

#### **4.2 Biodiversity protection**

To mitigate deforestation, Encory expects its suppliers to protect natural ecosystems and not contribute to deforestation, alteration, or harm to natural forests and other ecosystems.

Since scientific knowledge regarding the ecological consequences of deep-sea mining cannot currently provide sufficient data and therefore, an assessment of resulting environmental risks is not possible at this time, we exclude the use of resources from the deep sea and we also expect the same from our suppliers and their supply chain.

#### **4.3 Decarbonisation**

Encory is committed to reducing its own CO<sub>2</sub> emissions as well as achieving a reduction in CO<sub>2</sub> emissions throughout the entire supply chain. The assessment of measures implemented by the supplier plays a role in the supplier selection process during procurement. We expect our suppliers to take steps to reduce both direct and indirect emissions within their own procurement processes. This includes measures such as the use of green energy or the incorporation of bio-based materials and secondary resources.

#### **4.4 Handling hazardous substances and waste**

Encory is aware of the risks associated with the use of hazardous substances, chemicals and materials. Accordingly, we fulfil our responsibility to prevent, minimise, or eliminate risks as much as possible. We expect our suppliers to not only meet deadlines but also consider health, safety and environmental aspects in their production or service delivery. Therefore, the relevant substances must be labelled in accordance with applicable regulations and the supplier is responsible for ensuring that these substances are handled, transported and stored safely. Proper reuse or disposal must also be ensured by the supplier.

In addition to the laws and regulations applicable to the operating location or the affected market, our suppliers must adhere to the following rules:

- The Basel Convention (on the control of transboundary movements of hazardous wastes and their disposal).
- The Minamata Convention (use, treatment or production of mercury and mercury waste).
- The Stockholm Convention (persistent organic pollutants).

We expect our suppliers to independently and regularly stay informed about and comply with future regulations and laws.

## 5 Dealing with critical raw materials

Encory aims to use only raw materials for which the extraction, production, processing, trade and export are not associated, either directly or indirectly, with human rights violations, safety or health issues, compliance breaches, or environmental pollution.

To ensure this throughout the entire supply chain, we expect our suppliers to establish special due diligence processes for the processing and procurement of raw materials that contain tin, tantalum, gold or tungsten and originate from high-risk or conflict areas (CAHRAs) .

Furthermore, we expect the exclusion of smelters, refineries and processing facilities for the aforementioned raw materials if they do not meet appropriate and verified due diligence requirements.

In addition to the mentioned raw materials, we focus on the following raw materials as they pose significant human and environmental risks in terms of extraction and processing:

- Zinc
- Mica
- Graphite
- Lithium
- Nickel
- Aluminium
- Chrome
- Rare earths
- Platinum group metals
- Copper
- Cobalt
- Leather
- Manganese
- Nickel
- Natural rubber
- Iron
- Steel

In this context, we require our suppliers to provide us with information about their supply chain for these and other critical raw materials on an as-needed basis. This also includes information about the origin of the materials.

## 6 Data protection

Data protection is taken very seriously at Encory. We expect our suppliers to ensure that all individuals involved in service provision comply with legal regulations on data protection, especially when processing personal data. An obligation required under data protection law for these persons to maintain data secrecy

must be made before they commence their activities for the first time and proof must be provided to Encory upon request.

We also expect our suppliers to enter into corresponding agreements with their own suppliers along the supply chain.

Compliance with the General Data Protection Regulation (GDPR) and other national and international laws and regulations, as applicable, is also a requirement.

## **7 Prohibition of corruption and bribery**

Achieving the highest ethical standards is one of Encory's goals, and we expect the same level of commitment from our suppliers. We do not tolerate immoral or corrupt practices by our employees or on the part of our suppliers. We strictly prohibit any involvement in or tolerance of bribery, corruption, embezzlement, extortion, or any other form of corruption. Furthermore, if such practices are identified, we expect them to be promptly discontinued, with measures taken to prevent further incidents.

## **8 Conflicts of interest**

Encory is committed to strictly separating private and professional interests and making decisions, especially in procurement processes, solely for the benefit of the company. The use of business relationships for personal gain is strictly prohibited.

We expect the same behaviour from our suppliers. Any violation or even suspicion should be promptly reported to the relevant authorities within the company.

## **9 Anti-money laundering**

Encory is committed to adhering to all laws aimed at preventing, reporting and detecting money laundering. When selecting our suppliers, we ensure that they engage in legitimate business activities and use only legitimate financial resources. As we do not want to support money laundering in any way, we also expect our suppliers to be vigilant in their choice of suppliers and take appropriate action in cases of suspected money laundering practices.

## **10 Communication**

Encory respects and upholds the right to freedom of expression and the protection of personal rights to the highest degree.

All employees must ensure that their conduct and expressions are not negatively perceived by third parties. When expressing personal opinions, whether in a professional or private context, it must always be made clear that these are purely personal views and do not in any way reflect the opinion of the company or its business partners.

We also expect that the conduct or expressions of the employees of our suppliers will not have any negative impact on the business activities of Encory in any way.

## **11 Financial responsibility**

To meet our commitment to truth and the financial responsibility of Encory, all forms of reporting and disclosure, such as reports, records, financial statements and announcements, must be prepared truthfully and in accordance with generally accepted accounting principles. We also expect the same from our suppliers.

## **12 Fair competition and antitrust law**

Compliance with the standards of fair business practices, fair advertising and fair competition in general is required. In addition, the applicable antitrust laws must be observed and in particular, agreements or other activities that influence prices or conditions are prohibited.

Encory expects this from both its employees and its suppliers.

## **13 Plagiarism**

Out of respect for intellectual property, especially regarding patents, copyrights, or trademarks, Encory prohibits the use of plagiarisms and counterfeit materials. The deliberate or negligent behaviour of employees and suppliers in relation to inferior or counterfeit goods can lead to a decrease in the quality of services or products. For this reason, we prohibit the use of counterfeits and plagiarisms throughout our entire supply chain and expect the same from our suppliers.

## **14 Whistleblowing and protection against retaliation**

To provide our employees and suppliers with the opportunity to report violations anonymously, the protection against retaliatory measures and the preservation of the identity of whistleblowers are of utmost importance to us. Reporting misconduct, especially in the context of this Code of Conduct, should not result in any repressive or negative consequences for the whistleblower.

We expect our suppliers to provide the same protection against retaliation should a violation be reported by a business partner or employee.

### III. Implementation of the Code of Conduct

The activities listed here for fulfilling due diligence obligations are based on national and international standards and laws. We implement and verify compliance with the requirements defined here, as further explained in the chapters below and we expect a similar implementation and verification from our suppliers.

#### 1.1 Audit and information rights

Encory demands cooperation from its suppliers and their sub-suppliers to ensure maximum transparency and traceability in high-risk supply chains. The supplier must, upon written request, answer questions regarding compliance with the measures and obligations of this CoC and provide information about reported violations and complaints. This also includes naming a contact person for inquiries about the supplier's responses.

To verify compliance with the standards of this CoC, Encory may use a self-disclosure questionnaire or conduct on-site audits at the supplier's facilities or through third parties. The supplier must cooperate with both methods and provide truthful and complete answers to the questions.

To gain an overview of suppliers and their risks, Encory will conduct regular risk analyses along the supply chain and also expects the supplier to perform a risk analysis of their own supply chain.

#### 1.2 Dealing with violations

If a violation along the supply chain is reported to us or is self-detected, we will initiate appropriate escalation measures to rectify the violations. Depending on the severity of the violation and the supplier's cooperation in addressing it, we reserve the right to take various escalation measures. For particularly serious violations where rectification cannot be achieved or is refused by the responsible party, the highest level of escalation will be applied. This corresponds to the termination of the customer-supplier relationship. A terminated supplier will no longer be considered in new procurement processes.

#### 1.3 Possibility of anonymous reporting

Encory has established a complaint mechanism that allows for anonymous reporting of violations.

A complaint can be submitted through our website or via email to [humanrights@encory.com](mailto:humanrights@encory.com).

Complaints received will be investigated and if a violation is identified, appropriate measures will be taken to address it.

### IV. Consent

We hereby agree to the standards of this CoC and will take the necessary measures outlined herein to prevent or rectify violations along our supply chain.

Place:

Date:

Company name:

As of: 26.05.2023

Supplier Code of Conduct (sustainability standard for Encory GmbH's  
supplier network)

Signature

Name in block letters

Title