



## **DMK Policy Statement 2023 in accordance with the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG)**

### **I. Introduction**

This policy statement was approved by the Management Team on 27 September 2023.

With around 5,200 active dairy farmers and cooperative owners and 6,600 employees, the DMK Group is the largest dairy cooperative in Germany.

The DMK Group is aware of its social responsibility and pursues an integrated approach to achieve greater sustainability in the production and further processing of dairy products which influences all areas of the company. The DMK Sustainability Strategy 2030 focuses on the areas of climate protection, animal welfare, biodiversity and the welfare of human beings and is taken into account in our products and our service offerings.

The DMK Group is a values-oriented company based on a vision with the core values *entrepreneurial, fair, innovative*.

The DMK Group supports the legislative initiatives in Germany and at the European level concerning sustainable supply chains and is aware of their global importance.

### **II. Complying with duties of care**

#### **1. Responsibilities**

In the year 2022, the DMK Group launched a project organisation to examine the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (Supply Chain Act, LkSG) and to set up a procedure relating to its requirements. In the context of this project, existing systems were reviewed and modified to meet the requirements of the law. One focus was on the construction of a superordinate process in which requirements of the Supply Chain Act are operationally embedded and responsibilities are clearly defined. The Corporate Strategy, Corporate Procurement, Agriculture, Supply Chain Management, Occupational Health & Safety/Environmental Management, Group Compliance, Human Resources and Corporate Communication departments were involved in the process.

In the DMK Group, the Group Management has joint responsibility for compliance with the strategy on human rights and the implementation of corporate duties of care in accordance with the Supply Chain Act.

The Group Management has delegated the monitoring of the implementation of the requirements of the Supply Chain Act to the Global Head of Corporate Strategy as the process leader and authorised person in the role of ESG Officer.

The process leader/authorised person was appointed by the Management Team on 1 January 2023 to monitor risk management in respect of the requirements of the Supply Chain Act. The implementation of the requirements arising from the Supply Chain Act has been ensured by means of a process in the DMK Group. The function of the "Senior Insight Manager Corporate Environment" provides operational support to the coordination of the overall Supply Chain Act process as the process owner. The requirements of the Supply Chain Act will be taken care of by responsible individuals from various departments in defined sub-processes. For example, the Corporate Governance department will be responsible for the whistle-blower system and the Corporate Procurement and Corporate Occupational Health and Safety/Environmental Management departments will carry out the annual and ad hoc risk analyses.

The Management Team will be informed regularly by the Process Leader/ESG Officer about the work of his monitoring activities and the implementation of risk management in light of the requirements of the Supply Chain Act, annually as a minimum and ad hoc.



## 2. Risk analysis

The DMK Group will perform a Group-wide risk analysis every year as a minimum and ad hoc.

In the risk analysis, a multi-stage process will identify and prioritise human rights-related and environment-related risks in its own business area (including dairy farmers by involving the cooperative) as well as at direct suppliers and service providers. For this purpose, specific data will first be recorded for all participants.

The data will then be automatically analysed with the support of an external service provider. The analysis method will be based on more than 50 data sources relating to country risks and more than 700 data sources relating to merchandise category risks. The result of the automated analysis will be a risk score for all suppliers and in-house departments in which every individual human rights-related and environment-related risk according to the Supply Chain Act is considered.

Following this automated analysis, an in-depth analysis will be carried out of the prioritised suppliers and in-house departments with a high risk, in order to derive effective and appropriate corrective or preventive measures. The following adequacy criteria will be considered in this step:

- Type and scope of the business activity
- Influence on the supplier
- Expected severity and probability of occurrence of the violation
- Nature of the causal contribution

If risks or infringements are identified in an in-house department, measures will be taken immediately to stop them.

The results of the risk analysis will be communicated internally to the Management Team by the responsible department in aggregate form.

## 3. Preventive measures

If the DMK Group identifies human rights-related or environment-related risks along the supply chain in the risk analysis, appropriate preventive measures will immediately be taken; a distinction is made here between an in-house department and direct or indirect suppliers.

If and when risks are identified, the DMK Group will also carry out training both in its in-house department and at direct suppliers if appropriate. The DMK Group may also use external service providers for this purpose.

The [Code of Conduct](#) defines the DMK Group's ethical principles and values and sets clear rules on the way we deal with one another and on compliance with social and environmental standards. It is binding for all employees of the corporate Group and, among other things, reflects the core values of the Supply Chain Act. All employees will receive annual compulsory training on this topic.

The DMK Group is a member of the multi-stakeholder initiative Sedex (Supplier Ethical Data Exchange), the goal of which is to improve ethical aspects in global value chains. To ensure that the standards are adhered to, e.g. in health and safety and environmental protection, the DMK Group has implemented its own management systems and carries out external compliance audits they are conducted by SMETA (Sedex Members Ethical Trade Audit), currently at 12 factories. SMETA is an internationally recognised standard which audits occupational health and safety, labour standards, environment and business ethics.



The DMK Group has also undertaken EcoVadis's voluntary sustainability assessment annually since 2016 and reports every year on current business developments and initiatives in the area of sustainability in an integrated annual and sustainability report. The report is based on the Global Reporting Initiative's standards for sustainability reporting.

The DMK Group implements risk-based control measures to verify compliance by the employees of the DMK Group and its direct suppliers with the human rights strategy.

The DMK Group carries out responsible sourcing along the supply chain using the following programmes: The DMK Group takes the dairy farming supply chain into account by means of the Milkmaster Programme and other suppliers and service providers by means of the Corporate Procurement department. DMK's suppliers recognise the DMK Supplier Code which has been effective since the beginning of 2020 by signing contractual obligations (e.g. [Terms and Conditions of Procurement](#) and framework agreements). The Supplier Code was updated as of 1 January 2023 in respect of the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains. The contractual obligations include the right to conduct training and audits at our DMK suppliers and agreements on joint collaboration in the event that the DMK Group identifies violations at indirect suppliers. In addition, the obligation to comply with the Supply Chain Act has been incorporated into the Milk Delivery Regulations, which are binding on all agricultural member suppliers through the Articles of Association.

By this means, the DMK Group has succeeded in formulating social and ecological requirements on the suppliers more clearly and in further developing its own target vision of what supply chains should look like.

The effectiveness of the preventive measures is reviewed at least once annually and ad hoc.

#### **4. Remedial action**

If, in the course of our risk analysis, we discover or if we receive a substantiated indication through the DMK Group's whistle-blower system that a violation of a human rights-related or an environment-related obligation has already occurred or is imminent, we will take remedial action immediately. The choice of the remedial action will depend on the actual violation of a human rights-related or environment-related obligation and will be decided by those responsible on a case by case basis. The DMK Group will ensure that violations of human rights-related or environment-related obligations in its own business area is brought to an end in Germany and is usually brought to an end abroad. If the violation at a direct supplier is such that the DMK Group cannot end it in the foreseeable future, a concept for ending or minimising the violation will be drawn up and implemented without undue delay.

Failure to comply with sustainability, environmental and labour standards will lead to a downgrade in our supplier assessment and supplier self-assessment.

The effectiveness of the remedial action will be reviewed at least once a year and on an ad hoc basis.

#### **5. Complaints procedure**

Irrespective of the risk analyses and the risks discovered through said process, the DMK Group has put a complaints procedure in place which enables all persons and third parties affected to report human rights-related and environment-related risks as well as violations of human rights-related or environment-related obligations. The complaints procedure is publicly available via the DMK Homepage [Compliance | DMK Group](#). Rules of procedure are also publicly available at the same link. The rules of procedure include information about the accessibility of the process, the steps in the complaints procedure and how to deal with the submission. The functions responsible for processing information and complaints guarantee discretion, adherence to instructions and confidentiality. The effectiveness of the complaints procedure is reviewed and revised continuously, but as a minimum once a year.



## 6. Indirect suppliers

At present, the DMK Group has no actual indications that a violation of a human rights-related or environment-related obligation at an indirect supplier of the DMK Group may be possible.

If the DMK Group receives substantiated knowledge of a violation of a human rights-related or environment-related obligation at an indirect supplier, the measures required by law will be taken.

## 7. Documentation obligation and annual report

We continuously document our efforts and all steps in the effective implementation of our due diligence obligations in accordance with the Supply Chain Act. Every measure is documented immediately and correctly, including the reasons for the decisions taken. The documentation is kept on the DMK Group's files in compliance with the legal privacy requirements for a minimum of seven years.

In addition, starting on 1 January 2024 we will publish a report on the fulfilment of our due diligence obligations every year. This report will be published on our website at the latest four months after the end of our financial year and will be available free of charge for a period of seven years. We will publish further details on this matter in due course.

## III. Priority risks

The DMK Group has identified 161 potential human rights-related and environment-related risks in its own business area and at direct suppliers in its annual risk analysis. The potential individual risks were identified by an automated data analysis. The plausibility of the risks was reviewed in a next step and classified by sales. On the basis of this procedure, all risks were refuted, e.g. by available certificates or discontinued business relationships, or were not given priority due to low sales and limited influence.

### Human rights-related and environment-related expectations

All actions by the DMK Group to fulfil the due diligence obligations under the Supply Chain Due Diligence Act are aimed at detecting, minimising and as far as possible ending human rights-related and environment-related risks in close collaboration with its employees and suppliers. Injuries to those affected in this area should be prevented as far as possible.

It goes without saying that we comply with regulatory requirements on our products and services. The DMK Group expects the same course of action from all its suppliers. Our expectations concerning human rights-related and environment-related behaviour and actions are communicated in contracts, audits and our Code of Conduct and Supplier Code.

The DMK Group expects its employees and suppliers to adhere to the applicable national laws in force, the legal framework of the European Union and the globally recognised social and ecological standards as laid down in the United Nations Guiding Principles on Business and Human Rights (UNGP) and the core labour standards of the International Labour Organisation (ILO).

In concrete terms, the DMK Group expects its employees and suppliers to adhere to human rights and environmental rules. This includes, in particular, complying with the following prohibitions: child labour, forced labour, violation of occupational health and safety, violation of freedom of association, deprivation of a decent living wage, causing of harmful soil changes, water pollution, air pollution and noise emissions or excessive water consumption, unlawful eviction and unlawful deprivation of land, unlawful deployment of private or public security forces.



Bremen, 28. September 2023

CEO/CFO/ESG Officer  
**DMK Group**

A handwritten signature in blue ink, appearing to read 'Ingo Müller'.

Ingo Müller  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Frank Claassen'.

Dr. Frank Claassen  
Chief Financial Officer

A handwritten signature in blue ink, appearing to read 'Philipp Inderhees'.

Dr. Philipp Inderhees  
Head of Corporate Strategy/  
ESG Officer