

DMG MORI CSR PROCUREMENT GUIDELINE

Version 1.0

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DMG MORI

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About this Guideline

There has been a global increase in interest in corporate social responsibility (“**CSR**”) in recent years, leading to a greater emphasis on non-financial initiatives such as protecting human rights, complying with laws and regulations, preserving the environment, and contributing to local communities.

DMG MORI has been working towards resolving social issues and contributing to a sustainable society based on its mission statement, “contribute our fair share to our local community and society,” “conserve environmental resources at all times to preserve the global environment,” and “incorporate the highest standard of ethics while still encouraging an aggressive approach to our business activities.” However, meeting the increasingly diverse demands of key stakeholders requires initiatives throughout the supply chain.

Therefore, DMG MORI has established a CSR Procurement Guideline (“**Guideline**”) and has decided to request all suppliers to implement CSR activities according to the Guideline. Based on the belief that CSR activities will lead to the realization of added value and co-prosperity of all parties throughout the supply chain, DMG MORI will conduct periodic due diligence in accordance with the Guideline. We would like to ask our business partners for their understanding and cooperation.

In this Guideline:

Supplier: means a company, partnership or individual that provides goods or services to DMG MORI CO., LTD. **OR** one or more members of the DMG MORI group.

Associates: means the Supplier's suppliers (including Tier N and Tier N+1), vendors, agents and subcontractors who are involved in the Supplier's supply chain necessary to deliver or provide goods or services to DMG MORI.

1. Human Rights and Diversity

- 1.1 **Slavery, Human Trafficking and Child Labour.** The Supplier is prohibited to use any labour that is in violation of any applicable anti-slavery and human trafficking laws, statutes, regulations and codes from time to time in force in any part of its supply chain. This includes, but is not limited to, not supporting or engaging or requiring any forced labour, the use of child labour, bonded labour, indentured labour, prison labour, and labour based on any form of coercion, deception or psychological or physical threats. When presenting working conditions and giving work instructions (including but not limited to safety and health related instructions) to employees whose first language is not the common language of the workplace, employees with language or mental disabilities, and employees whose ability to freely express their intentions is otherwise restricted, the Supplier shall make reasonable accommodations according to their level of understanding and prevent the occurrence of actual or prospective labor practices prohibited in this Guideline.
- 1.2 **Human Rights.** The Supplier shall comply with all internationally recognised human rights understood, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's "Declaration on Fundamental Principles and Rights at Work and its Follow-up," the OECD's "Guidelines for Multinational Enterprises," International Labour Organisation's "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy," and the United Nations' "Guiding Principles on Business and Human Rights."
- 1.3 **Equal Opportunities.** The Supplier shall not discriminate in hiring, compensation, training, advancement or promotion, termination, retirement, or any employment practice on the basis of race, colour, national origin, gender, gender identity, sexual orientation, religion, age, marital or pregnancy status, physical or mental disability, or any other characteristic other than the worker's ability to perform the job subject to any accommodations required or permitted by law.
- 1.4 **Diversity, Equity, and Inclusion.** The Supplier shall create a workplace culture in which diversity, equity and inclusion is valued and everyone is treated with dignity and respect. The Supplier shall recognize that humans are inherently vulnerable to unconscious biases and strive to include employees of different ages, nationalities, ethnicities, genders, educational backgrounds, and cultural perspectives in all levels of decision-making.
- 1.5 **Freedom of Association and Collective Bargaining.** The Supplier shall respect, and shall not interfere with, the right of workers to decide whether to lawfully associate with groups of their choice, including the right to form or join trade unions and to engage in collective bargaining.
- 1.6 **Wages and remuneration.** The Supplier must compensate all workers with wages, including overtime premiums, and benefits that at a minimum meet the higher of:

- (a) the minimum wage and benefits established by applicable law,
- (b) collective agreements,
- (c) industry standards, and
- (d) an amount sufficient to cover basic living requirements.

1.7 Conflict Minerals. If the Supplier sources tin, tantalum or gold from conflict-affected and high-risk areas, the Supplier shall comply with the following to avoid contributing to conflict through their mineral sourcing practices:

- (a) establish strong company management systems;
- (b) identify and assess risk in the supply chain;
- (c) design and implement a strategy to respond to identified risks;
- (d) carry out independent third-party audits as necessary; and
- (e) report to DMG MORI annually about its findings and initiatives regarding conflict minerals.

2. **Safety and Health of Employee**

2.1 **Employee Safety.** The Supplier shall:

- (a) provide a safe, healthy, and sanitary working environment and comply with all applicable health and safety laws and any other relevant laws and regulations where it operates;
- (b) implement appropriate measures to prevent hazards and injuries of its workers;
- (c) not support or engage in, or require any hazardous labour to be performed by any person under the legally permissible age. Hazardous labour involves any work, that by its nature or the circumstances in which the work is undertaken, involves the substantial risk of harm to the safety or health of the worker if adequate protections are not taken; and
- (d) ensure that working hours, including overtime, do not exceed the legally permissible limits.

2.2 **Employee Wellness.** To be a corporate organization where employees can enjoy a more rewarding and satisfying working life, with good physical and mental health, the Supplier shall take the following actions:

- (a) assess the business impact of employees' physical and mental health problems;
- (b) identify and implement the measures to be taken to improve employees' physical and mental health;
- (c) periodically verify the effectiveness of implemented measures; and
- (d) continue measures to further improve employees' physical and mental health to achieve better business performance.

3. Environmental Protection

3.1 The Supplier shall ensure that:

- (a) its operations comply with all applicable environmental laws, including laws and international treaties relating to (but not limited to) waste disposal, gas and wastewater emissions, discharges and chemical, hazardous and toxic material handling;
- (b) the goods it manufactures (including the supplies and components that it incorporates into its goods) comply with all environmental laws and treaties;
- (c) when acquiring, developing or otherwise using land, forests and waters, it takes measures to minimize negative impact on the environment and those whose livelihoods depend on it; and
- (d) it will only use packaging materials that comply with all applicable environmental laws and treaties.

3.2 The Supplier shall have in place a suitable environmental management system for managing various environmental risks such as global warming and climate change resulting from greenhouse gas emissions. As a minimum, the system should include the following:

- (a) assessment of the environmental impact of all historical, current and likely future operations,
- (b) reduction targets based on the above assessment, including but not limited to targets related to greenhouse gases, environmentally hazardous emissions and waste, and saving natural resources (raw materials, oil, electricity, water resources etc.),
- (c) measures necessary to achieve the above reduction targets,
- (d) periodic verification of the above measures, and
- (e) establishment of new reduction targets and continuation of measures to further reduce environmental impact.

4. Product Safety and Quality

4.1 The Supplier shall ensure that:

- (a) its products and services adhere to the applicable safety regulations (if there are industry standards which exceed such regulations, such industry standards);
- (b) its products do not contain any chemical substances whose import, use, or distribution is prohibited in the country or region where the end-user is located;
- (c) its products and services contains prominent instructions or warnings about the safety risks related to its use written in language that is understandable to the average user and provides a fair indication of the nature and extent of risk;
- (d) it maintains all certifications, credentials, licenses, and permits necessary to conduct its business relating to the manufacture, distribution, and sale of its products and services; and
- (e) it utilizes a comprehensive quality assurance process and quality controls to supply high-quality products and services.

4.2 The Supplier shall immediately report to DMG MORI potential and confirmed issues which may cause hazards or injuries related to its goods or services.

5. Bribery and Corruption

- 5.1 The Supplier must maintain the highest ethical standards and shall comply with all applicable laws, statutes, codes, and regulations relating to the prevention of bribery and corruption. The Supplier shall not accept, offer, promise, pay, permit or authorise:
- (a) bribes, facilitation payments, kickbacks, illegal political contributions, misappropriation, fraud, blackmailing or nepotism;
 - (b) money, goods, services, gifts entertainment, employment, contracts or other things of value, in order to obtain or retain an advantage; and
 - (c) any other unlawful or improper payments or benefits.

6. Unfair Business Practices

The Supplier shall comply with all applicable competition laws including but not limited to those relating to teaming and information sharing with competitors, price fixing, and rigging bids.

7. Information Security and Data Protection

- 7.1 Without prejudice to the agreement(s) between DMG MORI and the Supplier, the Supplier shall have in place appropriate measures to:
- (a) protect the integrity and confidentiality of confidential information (including information belonging to or supplied by DMG MORI) held on its systems (which include physical and online or electronic systems);
 - (b) ensure that the confidential information will not be used for any purpose other than for the purpose permitted by the disclosing party or applicable data protection laws or regulations; and
 - (c) ensure that there is no unauthorised access of the confidential information by third parties.
- 7.2 The Supplier shall comply with all applicable personal data protection laws and requirements when processing any personal data on DMG MORI's behalf.
- 7.3 If the Supplier becomes aware of a information actual or prospective security incident with respect to confidential information either belonging to or supplied by DMG MORI or personal data which it is processing on behalf of DMG MORI, the Supplier shall immediately contain the damage, inform DMG MORI and discuss the measures to be taken.

8. Business Continuity Plan

- 8.1 The Supplier shall develop a business continuity and disaster recovery plan (“**Business Continuity Plan**”) to minimise the effect of any unplanned interruption or event, including but not limited to natural disasters such as fire or earthquake, that would significantly impact on the ability of the Supplier to supply the goods or services to DMG MORI.
- 8.2 The Supplier shall conduct an employee training based on its Business Continuity Plan on a regular basis, at least once every 12 months, and ensure that its contents and procedures are accurate, effective and appropriate.
- 8.3 The Supplier shall reassess its risk exposure on a regular basis, and update its Business Continuity Plan to the newly identified interruptions and events.

9. Supply Chain Management

- 9.1 The Supplier shall notify its prospective Associates that will form part of DMG MORI's upstream supply chain of applicable provisions of this Guideline and request adherence thereto.
- 9.2 The Supplier shall carry out appropriate due diligence of its Associates that will form part of DMG MORI's upstream supply chain to confirm their compliance with applicable provisions of this Guideline. As a minimum, the due diligence should include the following:
- (a) investigations into prospective suppliers' stance, public statements, and actions on human rights, treatment of workers, bribery, ethical behaviour and environmental outlook; and
 - (b) risk assessments for countries from which materials, components, or finished goods are sourced.

10. Employee Training

- 10.1 The Supplier must implement internal policies that obligate its employees to comply with the requirements of this Guideline or equivalent standards.
- 10.2 The Supplier shall conduct training for its employees to ensure that they are aware of the core requirements of the internal policies in section 10.1.

11. Self-Monitoring and Cooperation with DMG MORI

11.1 The Supplier shall periodically self-monitor its compliance with the Guideline.

11.2 The Supplier shall not retaliate or take disciplinary action against any Supplier employee or Associate that has, in good faith, reported violations of this Guideline or questionable behaviour, or who has sought advice regarding this Guideline.

11.3 The Supplier shall cooperate with any requests to cooperate with DMG MORI's due diligence (questionnaires or audits to verify that the Supplier is in compliance with this Guideline).

12. Standards of Compliance

- 12.1 In carrying out its agreement(s) with DMG MORI, the Supplier must comply with the standards set out in this Guideline and all applicable laws and regulations where it operates.
- 12.2 If there is a conflict between any applicable laws or regulations, the agreement between the parties, additional requirements set by one or more members of the DMG MORI group, and this Guideline, the Supplier shall meet the most stringent standard.
- 12.3 DMG MORI has the right to modify this Guideline from time to time by publishing the modified version on its website.

13. Measures against Violation

- 13.1 If DMG MORI becomes aware of any violation (actual or prospective) by the Supplier or its Associates of the Guideline or DMG MORI receives a report of an actual or prospective violation of this Guideline, DMG MORI and the Supplier engage in an information exchange or a dialogue regarding the issues identified.
- 13.2 Notwithstanding the above, if DMG MORI determines that the violation of the Guideline by the Supplier or its Associates is significant, DMG MORI may require the Supplier to produce a remediation plan that will lead to compliance with the Guideline and present it to DMG MORI within 1 month of being requested to do so.
- 13.3 If the Supplier fails to produce the remediation plan within this timeframe, if the Supplier or its Associates fail to implement the remediation plan within a reasonable time, or if DMG MORI determines that a breach of the Guideline by the Supplier or its Associates materially and adversely affects the relationship of trust between the contracting parties, DMG MORI may terminate transactions.

14. Contact for Inquiries

If you have any questions or concerns about the contents of this Guideline, please contact the Procurement/Logistics Control Department of DMG MORI CO., LTD. (mori_kobai@dmgmori.co.jp)

Version control

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1.0	June 1 st , 2023