



DMK Policy Statement 2024 in accordance with the German Act on Corporate Due Dilligence Obligations in Supply Chain (LkSG)

I. Introduction

This declaration of principles was adopted by the Group Executive Board on 10 December 2024.

With around 4,500 active milk producers and cooperative owners as well as 5,900 employees, DMK Group* is the largest dairy cooperative in Germany.

DMK Group is aware of its social responsibility and has been pursuing a holistic approach to greater sustainability in the production and processing of dairy products since 2013, which has an impact on all areas of the company. Regional ties and the continuation of a long tradition of the dairy cooperative go hand in hand with the implementation of a future-oriented corporate and sustainability strategy.

The DMK Group's sustainability strategy 2030 focuses on climate protection, animal welfare, biodiversity, and the well-being of people and is taken into account in our products and services. DMK Group contributes to the Sustainable Development Goals (SDGs) adopted by the UN, such as:

- 2 = Zero hunger
- 8 = Decent work and economic growth
- 12 = Responsible consumption and production patterns
- 13 = Climate action
- 15 = Life on land
- 17 = Partnerships for the goals

DMK Group is a value-oriented company based on a mission statement with the core values of *entrepreneurial, fair and innovative*. DMK Group also supports legislative initiatives in Germany and at European level with regard to sustainable supply chains and is aware of their global importance.

II. Fulfillment of due diligence obligations

1. Responsibilities

Within the DMK Group, the Group Executive Board has overall responsibility for compliance with the human rights strategy and the implementation of corporate due diligence obligations in accordance with the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG).

The Group Executive Board has delegated the monitoring of the implementation of the requirements of the Supply Chain Sustainability Act to the Global Head of Corporate Strategy, Sustainability and Innovation (CSSI for short) as the process leader and the "ESG Officer".

The process leader/officer has been appointed by management in particular to monitor risk management with regard to the requirements of the LkSG. The implementation of the requirements of the LkSG is ensured at the DMK Group via a process.

The function of "Senior Insight Manager Corporate Environment" supports the coordination of the overall LkSG process operationally as process owner. The requirements of the LkSG are taken into account in defined sub-processes by responsible functions from different areas. For example, the Corporate Governance department is responsible for the complaints office, which is integrated into the whistleblower system, and the Corporate Procurement and Occupational Safety/Environmental Management departments are responsible for carrying out the annual and incident-related risk analysis.

The Group Executive Board is regularly informed by the Process Leader/ESG Officer about the work of their monitoring activities and the implementation of risk management with regard to the requirements of the LkSG, at least once a year, as well as on an ad hoc basis.



2. Risk analysis

DMK Group carries out a Group-wide risk analysis at least once a year and on an ad hoc basis. This risk analysis involves a multi-stage process to identify and prioritize human rights and environmental risks in the company's own business area (including milk producers by involving the cooperative) and at direct suppliers and service providers. To this end, specific data is first collected from all parties involved.

The data is then automatically analyzed with the help of an external service provider. The evaluation methodology is based on more than 50 data sources relating to country risks and more than 700 data sources relating to product group risks. The result of the automated analysis is a risk scoring for all suppliers and own business units, in which each individual human rights and environmental risk is taken into account in accordance with the LkSG.

This automated evaluation is followed by an in-depth analysis of the prioritized suppliers and own business areas with increased risk in order to check plausibility and derive effective and appropriate remedial and/or preventive measures. The following appropriateness criteria are taken into account in this step:

- Nature and scope of business activities
- Influence on the supplier
- Expected severity and probability of occurrence of the injury
- Nature of the causal contribution

If risks or injuries are identified as part of the LkSG risk analysis, appropriate measures are initiated -> see Chapter 3 Preventive measures and Chapter 4 Remedial measures.

The results of the risk analysis are communicated cumulatively by the responsible department to the Group Executive Board as a basis for obtaining approval.

3. Preventive measures

DMK Group has various preventive measures that support the importance of the duty of care under the LkSG and contribute to precautionary measures.

These prevention measures differentiate between the company's own business area, and direct and indirect suppliers.

Policy & Code of Conduct

DMK Group has implemented a Group-wide guideline for the implementation of due diligence obligations in accordance with the LkSG, as well as procedural instructions for carrying out the annual and event-driven risk analysis.

The Code of Conduct sets out the ethical principles and values of DMK Group and provides guidelines for dealing with each other and for complying with social and environmental standards. It is binding for all employees of the Group and emphasizes the importance of respecting human rights and protecting the environment and explicitly refers to compliance with the LkSG, among other things. All employees receive mandatory annual training on the content of the Code.

Certifications & training

If risks are identified, DMK Group also conducts training both in its own business area and with its direct suppliers where necessary. DMK Group may use external service providers for this purpose.

DMK Group is a member of the multi-stakeholder initiative Sedex (Supplier Ethical Data Exchange), which aims to improve ethical aspects in global value chains. To ensure compliance with the standards, e.g. in occupational health and safety and environmental protection, DMK Group has implemented its



own management systems and has compliance checked by external SMETA audits at currently more than 12 plants (Sedex Members Ethical Trade Audit). SMETA is an internationally recognized standard that audits health and safety, working standards, the environment and business ethics.

DMK Group has also undergone an annual voluntary sustainability assessment by EcoVadis since 2016 and reports on current business developments and initiatives in the area of sustainability in an annual business and sustainability report. The responsibility report is based on the sustainability reporting guidelines of the Global Reporting Initiative.

DMK Group is also certified in accordance with DIN 14001 (environmental management system) and DIN ISO 50001 (energy management system) certification.

DMK uses these "certification programs" to support the relevance of environmental and human rights issues and is therefore audited by external parties.

Supplier code of conduct, supplier management / milk supply regulations

DMK Group implements responsible procurement along the supply chain with the following programs: DMK Group takes the milk production supply chain into account via the Milkmaster program and, with regard to other suppliers and service providers, via the Corporate Procurement department. DMK suppliers recognize the DMK Supplier Code of Conduct, which has been in force since the beginning of 2020, by signing contractual obligations (e.g. terms and conditions of purchase and framework agreements).

The Supplier Code of Conduct was updated on January 1, 2023 with regard to the requirements of the Supply Chain Duty of Care Act. The contractual obligations include the authorization to carry out training and audits at our DMK suppliers as well as agreements on joint cooperation in the event that the DMK Group identifies violations at indirect suppliers. In addition, the obligation to comply with the LkSG has been incorporated into the milk supply regulations, which are binding for every agricultural member supplier via the Articles of Association. In this way, the DMK Group has succeeded in formulating social and environmental requirements for suppliers more clearly and further developing its own objectives for what supply chains should look like.

Effectiveness test

DMK Group carries out risk-based monitoring measures to check compliance with the human rights strategy by DMK Group employees and its direct suppliers.

The effectiveness of the legally required preventive measures is reviewed at least once a year and on an ad hoc basis.

4. Remedial measures

If DMK Group determines in the course of the risk analysis or receives a substantiated report, e.g. via the DMK whistleblower system, that a violation of a human rights or environmental obligation has already occurred or is imminent, DMK Group will take immediate remedial action. The choice of remedial action will depend on the specific breach of human rights or environmental obligation and will be decided on a case-by-case basis by the responsible function. DMK Group will ensure that violations of human rights or environmental obligations in its own business area in Germany are always ended, and are typically ended abroad. If the violation at a direct supplier is of such a nature that DMK Group cannot end it in the foreseeable future, a concept for ending or minimizing the violation will be drawn up and implemented without delay.



Non-compliance with sustainability, environmental, and labor standards leads to a devaluation in our supplier assessment and supplier self-assessment.

The effectiveness of the remedial measures is reviewed at least once a year and on an ad hoc basis.

5. Complaints procedure

Irrespective of the risk analysis and the risks identified here, DMK Group has set up a complaints procedure that enables all affected persons and third parties to report human rights and environmental risks and violations of human rights and environmental obligations. Potentially affected parties - for example: employees, suppliers, and milk producers - have been actively informed about their options for submitting complaints, where direct contact is possible. The complaints procedure is publicly accessible in all company languages via the DMK homepage [Compliance | DMK Group](#). Rules of procedure are published under the same link.

The rules of procedure contain, among other things, information on access to the procedure, the course of the complaints procedure and the handling of the report. The functions responsible for processing reports and complaints guarantee confidentiality, independence from instructions, and discretion. The effectiveness of the complaints procedure is reviewed and further developed on an ongoing basis, but at least once a year.

6. Indirect suppliers

At present, DMK Group has no factual indications that a violation of a human rights or environmental obligation by an indirect supplier of the DMK Group appear possible.

If DMK Group obtains substantiated knowledge of a violation of a human rights or environmental obligation at an indirect supplier, the legally required measures are taken.

7. Documentation obligation and annual report

DMK Group continuously documents its efforts and all steps taken to effectively implement the due diligence obligations under the LkSG. Each measure, including the reasons for the decisions taken, is properly documented. The documentation is kept in DMK Group's files for at least seven years in compliance with data protection regulations.

In addition, an annual policy statement on the fulfillment of due diligence obligations is published on the website in accordance with BAFA requirements and made available free of charge for a period of seven years. Further reporting obligations are carried out in accordance with legal requirements.

III. Priority risks

As part of its annual risk analysis, DMK Group has identified 246 potential human rights and environmental risks in its own business area and at direct suppliers for the 2023 financial year. The potential individual risks were identified as part of the annual abstract risk analysis. In a next step, these identified risks were checked for plausibility and classified according to turnover. As a result of this procedure, the majority of risks were refuted, e.g. due to existing certificates, due to business relationships that have since been discontinued, or due to low turnover with the related party and therefore a low level of influence.

As a result, two suppliers with a potential risk were identified. In the subsequent in-depth analysis, these risks were mitigated for both suppliers by means of the following measures: Signing the DMK



Group Supplier Code of Conduct, reviewing the results of on-site inspections, satisfactorily answering a specific questionnaire.

The abstract risk analysis revealed three increased individual risks for the company's own business division, which could be ruled out with good reason. Two potential environmental risks (excessive water use) were identified at sales companies, but these are not relevant due to non-resource-intensive processes. The third risk, disregard for freedom of association in China, was also classified as not relevant due to significant regional differences. In the region concerned, greater attention is being paid to adherence to international standards and compliance rules.

Human rights and environmental expectations

All measures taken by DMK Group in connection with the fulfilment of corporate due diligence obligations under the Supply Chain Due Diligence Act are aimed at identifying, minimizing and, as far as possible, eliminating human rights and environmental risks in close cooperation with employees and suppliers. Violations by those affected in this area are to be prevented as far as possible.

Compliance with regulatory requirements for our products and services is a matter of course for us. DMK Group expects the same approach from all its suppliers. Our expectations regarding human rights and environmentally friendly conduct and actions are communicated within the framework of contracts, audits, and our Code of Conduct and Supplier Code.

DMK Group expects its employees and suppliers to comply with the applicable national laws, the legal requirements of the European Union and the globally recognized social and ecological standards as set out in the United Nations Guiding Principles on Business and Human Rights (UNGP), the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the core labour standards of the International Labour Organization (ILO).

Specifically, DMK Group expects its employees and suppliers to respect human rights and environmental regulations. This includes, in particular, compliance with the prohibition of child labor, slavery, forced labor, disregard for occupational health and safety, disregard for freedom of association, withholding appropriate wages, causing harmful soil change, water pollution, air pollution, harmful noise emissions or excessive water consumption, unlawful forced eviction, and unlawful deprivation of land, unlawful use of private, or public security forces.

Bremen, 10.12.2024

The Group Executive Board / ESG Officer
DMK Group

A blue ink signature of Ingo Müller.

Ingo Müller
Chief Executive Officer

A blue ink signature of Ines Krummacker.

Ines Krummacker
Chief Financial Officer
Ad interim

A blue ink signature of Dr. Philipp Inderhees.

Dr. Philipp Inderhees
Head of CSSI/
ESG Officer

*DMK Deutsches Milchkontor GmbH and affiliated companies within the meaning of Section 15 AktG, excluding production facilities in Russia.



Appendix: References to relevant documents and information

1. [DMK Code of Conduct](#)
2. [DMK Supplier Code of Conduct](#)
3. [DMK Terms and Conditions of Purchase](#)
4. [Responsibility report 2024](#)
5. [Notes on the DMK complaints procedure](#)
6. [Policy statement LkSG 2023](#)