



windmüller

PIONEER THINKING

REPORT ON THE SUPPLY CHAIN ACT FINANCIAL YEAR 2021

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1 INTRODUCTION

1.1 THE SUPPLY CHAIN ACT

The Supply Chain Due Diligence Act is a German federal law which governs the economic activities of companies domiciled in Germany. The Supply Chain Act is intended to create a legal framework to protect the environment as well as human and children's rights along global supply chains.

Companies with more than 3,000 employees will have to comply with the Supply Chain Act from 2023. From as early as 2024, companies with more than 1,000 employees will have to comply. The purpose of the law is primarily the prevention of child labour,

forced labour, discrimination and poor safety standards along the supply chain. The Supply Chain Act also addresses the topics of occupational safety and environmental protection. This means that accidents at work and work-related health hazards must be prevented by appropriate safety measures and environmental risks must be minimised.

THE FOLLOWING ASPECTS MUST BE CONSIDERED

- setting up a risk management system
- definition of in-house responsibility
- regular performance of risk analysis
- adoption of a policy statement
- firm establishment of preventive measures in own business area and with respect to direct suppliers
- taking remedial action
- setting up a complaints procedure
- implementation of due diligence with respect to risks at indirect suppliers
- documentation and reporting

The German Federal Office for Economic Affairs and Export Control (BAFA) audits the annual company reports on the results of risk analysis and compliance with the statutory requirements.

A penalty of up to 50,000 euros can be imposed for infringements of orders from the BAFA. Fines of between 100,000 and 800,000 euros can be issued if no risk analysis is prepared, no complaints procedure is set up or any identified human rights violations are not remedied effectively

1.2 FOKUS:GREEN

The subject of sustainability is an integral part of Windmüller's corporate vision: "We help to make the world an easier and better place to live in with healthy and sustainable flooring solutions!"

Our decisions and actions are based on the 17 UN sustainable development goals, focussing on what is relevant to us in terms of raw material selection and development, global footprint, transparency, eco-efficiency and sustainability.

Six spheres of activity were identified within the scope of the **FOKUS:GREEN** corporate initiative, of which the topic of "supply chains" constitutes a significant sphere of activity.

The subject of eco-efficiency is substantially underpinned by Cradle to Cradle® certification for the ecuran-based PURLINE organic flooring and acoustic mats. Cradle to Cradle® certification is the world-renowned standard of eco-efficiency and defines very strict requirements in the categories of material health, product circularity, use of renewable energy, water stewardship and the aspect of social fairness.

Even if we are not yet obliged by law to audit our suppliers with respect to the new requirements for supply chains, we are already one step ahead and are creating the basis for ourselves and for our customers to ensure continuing safe and sustainable business processes.



- G**ROWTH: SUSTAINABLE
- R**ESSOURCES: RENEWABLE
- E**MPLOYEES: INVOLVED
- E**NERGY: EFFICIENT
- N**O: GLOBAL WARMING



2 ASSESSMENT METHODS / PROCESS

2.1 THE SUPPLIER SELF-DECLARATION

The supplier self-declaration drawn up by Windmüller itself served as the basis for assessing our suppliers and was extended to include the requirements of the Supply Chain Act.

Existing and new suppliers were asked to fill in the extended questionnaire using Microsoft Forms for the first time in order to create transparency in the supply chain, obtain general information about business partners and keep our master data up to date.

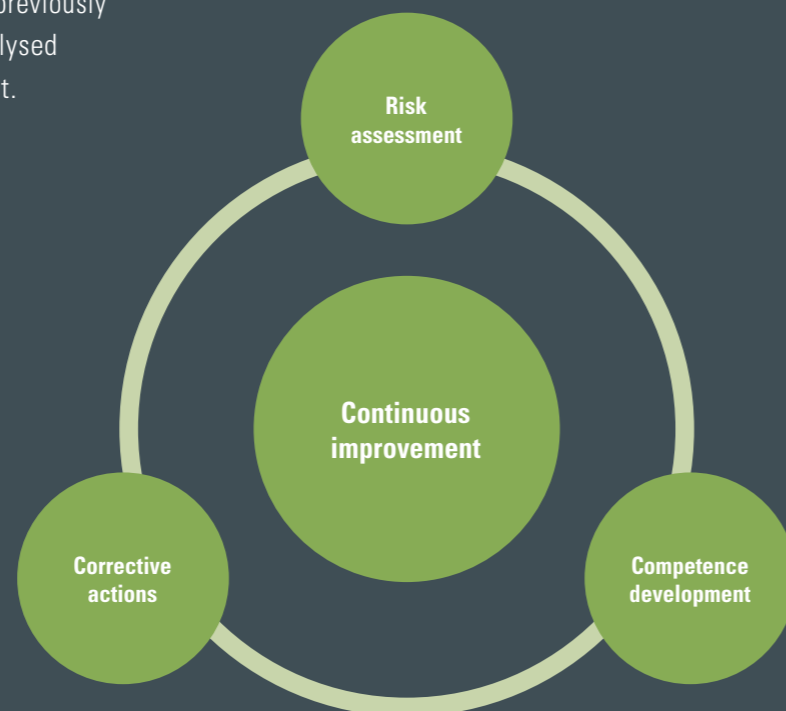
The section on „Sustainability“ was regarded to be the priority. We asked our suppliers about compliance with environmental and human rights standards and have contacted any business partners who have not complied yet or only partly.

2.2 RISK MANAGEMENT RELATING TO THE SUPPLY CHAIN ACT

Risks concerning respect for human rights along the supply chain should be identified, analysed and mitigated. A process was developed for this purpose and measures were defined, which we use to review our supply chain once a year. In the first step, a risk analysis was carried out and an extensive action plan was developed in order to be able to react quickly to any potential supplier failures and / or limitations or to avert them.

THIS FORMED THE BASIS FOR OUR EVALUATION PROCEDURE:

The purchasing department collected the data previously obtained via the supplier information and analysed it with reference to a defined evaluation sheet. For suppliers with a high risk, individual packages of measures were put together and implemented. These measures and targeted improvements were documented and form the basis for future analyses.



3 TRANSPARENCY IN THE SUPPLY CHAIN

3.1 SELECTION OF SUPPLIERS

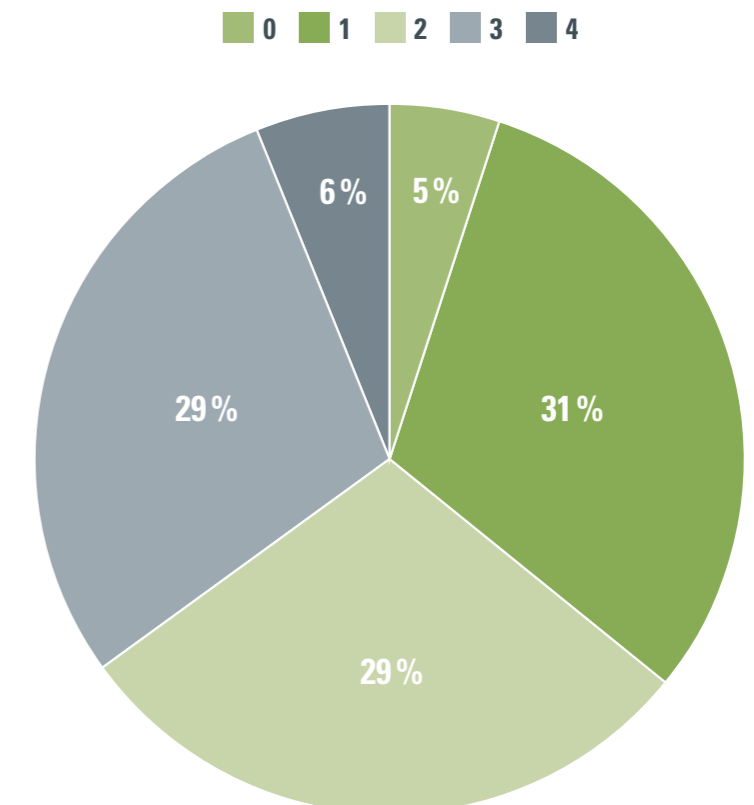
The questionnaire was only sent to suppliers whose goods are directly related to our products, for example raw, auxiliary and operating materials, commercial goods, packaging and sales promotional material.

3.2 EVALUATION

The total number of suppliers sent questionnaires at the beginning of 2022 was 110. Of these, 77 answered fully, and they were assessed by the purchasing department working with quality assurance. The other 33 refused to respond. Based on the fact that Windmüller is not yet subject to the legislation, they were not considered any further for the evaluation in 2021. Eleven of the 77 evaluated suppliers were rated critical. During the subsequent communications with the suppliers in person, it was possible to clear up some misunderstandings, as a result of which six of the eleven critical results could be adjusted.

The assessment was performed on a scale of 0-6 (0 = no risk, 6 = absolute risk). None of the suppliers who were sent questionnaires were given the risk level five or six. The suppliers who were rated critical were given risk level four.

RISK RATING



4 RISK ASSESSMENT

The suppliers were assessed with reference to five selected key questions regarding environmental and social aspects, which were defined in the questionnaire. Bearing in mind that the Supply Chain Act will initially only affect German companies, the country of origin was also included in the risk assessment. This means that suppliers who are not subject to any statutory regulation can be analysed and assessed in more detail.

The more questions answered inadequately, the higher the risk rating.

The suppliers who had been rated critical were then looked at individually and assessed according to turnover and product relevance. Finally, the measures were put together and agreed with the supplier.



5 MEASURES

Appropriate measures were defined, recorded in a catalogue of measures and assessed according to level of implementation.

In the event of any deviations, our suppliers were contacted directly with regard to topics that were rated as a risk from Windmüller's point of view. The appropriate measures meant that no suppliers with a high risk potential were identified.

In principle, should an insurmountable risk be identified, the business relationship will be terminated as soon as an alternative source of supply can be identified.

6 GOALS FOR 2023

THE FOLLOWING ASPECTS MUST BE CONSIDERED

- Continuous improvement of the processes, as well as transparent presentation of the process flows
- Preparation of a policy statement in order to proceed with a preventive approach to human rights and environmental protection violations
- Setting up a complaints procedure accessible to anyone who learns of human rights violations at their direct or indirect suppliers or is directly affected by them

7 CLOSING REMARKS

The report on the Supply Chain Act is produced annually for the preceding financial year and relates to the Windmüller sites in Augustdorf and Detmold, The data collected for the purpose of evaluation is treated as confidential and kept safe from third party access. Should you become aware of any infringements of due diligence in connection with the Supply Chain Act, please send your complaint to the following email address: Lieferkettengesetz@windmoeller.de

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