

Recognition of the Respective Other Business Partner's Code of Conduct and Inclusion in the Business Relationship

Preamble:

Since January 1, 2023, the Supply Chain Due Diligence Act (hereinafter referred to as LkSG) has been in force according to which companies above a certain size are obligated to comply with environmental and human rights-related obligations in their own business operations as well as within their supply chains or avoid or prevent violations thereof as far as possible. A preventive measure in terms of Section 6 para. 4 no. 2 LkSG is a contractual assurance of a direct supplier to comply with and pass on human rights and environmental expectations. The Diehl Group holds a position in the market, both as a supplier and as a customer, that obligates it to include supplier codes with human rights and environment-related content. The Diehl Group therefore enters into a Code of Conduct with its suppliers within the supply chain or at least includes the codes of conduct of the relevant suppliers in the business relationship.

1. Definitions

For clarification and consistent language, the following definitions are prefixed to this Agreement.

- 1.1 **Diehl Group or Diehl:** Refers to Diehl Stiftung & Co. KG with its registered offices in Nuremberg as well as its affiliated companies in terms of Sections 15 et seq. Stock Corporation Act (Aktiengesetz).
- 1.2 **Own Business Unit:** The business partner's own business unit covers every activity of the business partner's company (including its affiliated companies in terms of Sections 15 et seq. Stock Corporation Act (Aktiengesetz) and companies over which the business partner actually exercises a controlling influence).
- 1.3 **Suppliers:** Any company whose activity is necessary for the production and utilization of the business partner's product or for the provision and use of services.
- 1.4 **Supply Chain:** It covers all activities associated with the production and utilization of products and the provision of services in Germany and abroad (from raw material extraction to delivery to the end customer) and covers the business partner, the Own Business Unit and Suppliers.
- 1.5 **Code of Conduct:** Code of conduct applicable to the company's Own Business Unit and its own employees on compliance with the law in the broadest sense and on lawful conduct.

- 1.6 **Supplier Code of Conduct:** Code of conduct established by a customer for its suppliers to ensure compliance with the law in the broadest sense and on lawful conduct.
- 1.7 **Compliance Management System (CMS):** Depending on the size of the company, a compliance management system involves either maintaining an in-house work organization or delegating the tasks to an external third party to monitor compliance with the law and the lawful conduct of employees.

2. Exchange of the Respective Other Party's Code of Conduct

By signing the declaration of recognition, the parties mutually confirm the existence of their own Code of Conduct for their Own Business Unit and their own employees. If the supplier does not have its own code, this should be communicated to the business partner. If one party intentionally or through gross negligence provides false information in this regard, it shall be obligated to pay the other party a contractual penalty in the amount of € 5,000.00.

3. Recognition of the Code of Conduct

Each of the parties takes note of the respective other party's Code of Conduct. If both parties have their own Code of Conduct, the Code of Conduct of one business partner shall not be binding on the other. If the Supplier does not have its own Code of Conduct, the Supplier shall take note of the Diehl Supplier Code of Conduct.

4. Legal Consequences of Violations of a Code of Conduct

- 4.1 The Code of Conduct or Supplier Code of Conduct issued and published in each case constitutes a declaration of commitment by the declaring party and as such is deemed to be an accessory contractual obligation in the entire business relationship.
- 4.2 If a business partner discovers a violation of the Code of Conduct by the company or an individual employee and the violation might affect the business relationship, the business partner is obligated to immediately report such a fact to the other party.
- 4.3 For the purpose of fulfilling the obligations under LkSG, the parties shall subsequently jointly determine remedial measures. The remedial measures must be suitable for ending a violation of legal interests immediately. By taking further measures mechanisms must be established for the purpose of preventing recurrence. A specific period of time shall be jointly determined for the implementation of the measures.

5. Warning, Suspension and Termination Rights

- 5.1 A business partner is entitled to issue a warning to the other partner if the latter fails to implement the remedial measures or fails to do so in good time, or if a similar violation occurs again within three years from the previous violation.
- 5.2 If one party fails to implement remedial measures in a timely manner within the period mutually agreed upon in accordance with clause 4.3, the other party may suspend the business relationship for a period of up to six months.
- 5.3 If the violation by the business partner has not verifiably been remedied after expiration of the suspension period, the other business partner shall be entitled to terminate the business relationship or the individual contract with a notice period of one month to the end of the month.
- 5.4 In the event of serious violations of a business partner against its own Code of Conduct that have a significant impact on the business relationship or even result in damage to the other business partner, the aggrieved party shall – after weighing up the mutual interests – be entitled to terminate the entire business relationship or the affected contract without notice. The orders confirmed until receipt of the extraordinary termination must be produced, delivered and paid for in accordance with the contractual conditions. No further orders will be placed or accepted after receipt of the extraordinary termination.
- 5.5 Any warning, suspension or termination is subject to be made in writing in order to be effective.

6. Certifications and Audit Rights

- 6.1 With reference to the website www.diehl.com, Diehl confirms that as part of the Compliance Management System it maintains a complaints management system that meets the requirements of Section 8 LkSG
<https://www.diehl.com/group/en/company/compliance/>.
- 6.2 Each party may conduct an audit of the other party annually or on an ad hoc basis during the term of the business relationship and for a period of three years thereafter in order to verify compliance with the obligations arising from voluntary commitments.
- 6.3 An audit may be conducted by a party itself or by an external service provider. The costs for external audits shall be borne by the party that formally commissioned the audit. After mutual agreement, the business partner may use the audit report vis-à-vis all customers or suppliers or – insofar as it is in its own best interest – publish it.

7. Civil Liability

- 7.1 There is no civil liability for violations under LkSG. Liability for violations under the general provisions of civil law shall remain unaffected.
- 7.2 In the event of a justified suspension or termination of a contract or of the business relationship, the party responsible for the violation shall be liable to the other party for damages resulting from the suspension of or termination vis-à-vis the party responsible. Each party shall observe the principles of the duty to mitigate damages.
- 7.3 Insofar as a third party has a general claim under civil law against a business partner due to violations of the Code of Conduct, each business partner shall be liable for its own violations.
- 7.4 If the business partners are held jointly liable for violations of the Code of Conduct, the business partners shall be liable in the internal relationship in proportion to their degree of fault. If only one party is held liable by a third party, but the damage was caused by both business partners proportionately, the party not held liable by the third party shall indemnify the other party from the costs according to its respective contribution to the fault.

8. Final Provisions

- 8.1 The provisions of this declaration shall replace all existing agreements and contracts between the parties within the scope of validity of the declaration of recognition exclusively with regard to compliance with the Code; in all other respects, the regulations and contracts existing between the parties shall remain unaffected by this declaration of recognition.
- 8.2 Alterations and/or amendments to this declaration of recognition are subject to be made in writing. There are no verbal collateral agreements.
- 8.3 This declaration of recognition is governed by the laws of the Federal Republic of Germany to the exclusion of International Private Law and the UN Convention on Contracts for the International Sale of Goods (CISG). All disputes arising out of or in connection with this Agreement or its validity shall be finally settled by arbitration according to the Rules of Arbitration of the Deutsche Institution für Schiedsgerichtsbarkeit e.V. (DIS) (*German Institution of Arbitration*) to the exclusion of recourse to the ordinary courts of law. The place of arbitration shall be Nuremberg. The arbitration proceedings shall be held in the German language.

Should a provision of this declaration of recognition be or become invalid, this shall not affect the remainder of this declaration of recognition. In this case, the parties undertake to

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immediately replace the provisions that have become invalid by such a provision as comes closest to the economic purpose of the invalid provision. The same shall be applicable in case a provision is unenforceable or in case of a loophole in this declaration of recognition.

By signing this declaration of recognition, the business partners confirm to each other that they have all the necessary authorizations and powers of attorney to effectively enter into this declaration of recognition for themselves and the companies in their own business unit (affiliated companies).

_____, _____

[Name of Signatory]

[Name of Function]

[Company incl. address]

_____, _____

[Name of Signatory]

[Name of Function]

[Diehl company incl. address]