

CSR standards for business partners of the HORNBACH Group¹

The companies of the HORNBACH Group have undertaken an environmentally and socially responsible corporate governance. With the binding CSR standards hereafter, the companies of the HORNBACH Group demand the compliance with an ecological, social, and ethical conduct from their business partners as well.

1. Basis of the business relationship

Compliance with international human rights as set out in the United Nations' Universal Declaration of Human Rights, 10 December 1948, the observance of core labour standards in accordance with the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organisation on 18 June 1998 and compliance with the applicable legal system by the business partner form the basis for the business relationship with the companies of the HORNBACH Group.

2. CSR standards for places of work

The business partner is responsible for the observance of human rights in its business activities. Specifically, this means that they shall carry out appropriate due diligence (analysis of whether there are risks of violations or existing violations, instigating preventive measures with regard to risks and remedial measures with regard to violations) to ensure that they comply with the following prohibitions when providing contractual services to HORNBACH:

- No employment of workers, who have not yet attained the local legal minimum working age. On principle no employment of any worker below the age of 15.²
- Workers under the age of 18 may not be employed in the so-called “worst forms of child labour”, such as working underground, under water or with dangerous tools.³
- No forced labour or non-voluntary work. No physical or psychological punishment of the workers. The ILO criteria for forced labour are decisive for the question of whether a specific situation constitutes forced labour.⁴ No slavery,⁵ bonded labour,⁶ servitude⁷ and no human trafficking.⁸
- The business partner is responsible for compliance with the valid statutory regulations at the place of activity for occupational health & safety at its places of work. The necessary precautionary measures against accidents and health damages that might arise in the context of the work are taken through the creation and implementation of appropriate occupational safety systems. Increased attention must be paid to building safety and fire protection in particular.
- The employees in the places of work may, without prior approval, form labour organisations of their own choice or join such organisations. Worker's representatives have to be granted free access to the work places of their colleagues and they have to be protected from discrimination. The business partner may not restrict the labour organisations and their members in their collective activity.⁹

¹ Especially business partners of HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH as well as their respective subsidiaries

² The exceptions laid down in the law of the country of production according to Art. 2 (4) and Art. 4-8 of ILO Convention 138 shall apply.

³ The worst forms of child labour are determined in accordance with ILO Recommendation 190, No. 3 and the permissible exceptions in accordance with ILO Recommendation 190, No. 4.

⁴ “ILO Indicators of forced labour”, 01/10/2012.

⁵ Art. 1 Slavery Convention (1926).

⁶ Art. 1 b) Supplementary Convention on the Abolition of Slavery, the Slave Trade and Institutions and Practices Similar to Slavery.

⁷ Art. 1 a) Ibid.

⁸ Art. 3 a) Palermo Protocol (2005).

⁹ Reservations imposed by the local law on the exercise of these rights have to be heeded, e.g. proportionality requirements in the case of strikes or restrictions on the right to strike for public employees.

- Any kind of discrimination of male or female employees is prohibited. Discrimination because of, for instance, gender, caste, skin colour, disability, political opinion, origin, religion, age, pregnancy, or sexual orientation is forbidden. The personal dignity, privacy, and personal rights of each individual will be respected.
- All employees¹⁰ must be paid according to the legal minimum wage, the applicable collective wage agreements or according to the specifications for a living wage. Should various of these bases be available, the highest value shall be decisive. A living wage is defined as one that allows workers and their families to live in dignity, providing them with all the social benefits defined by the applicable law. In case of doubt, the living wage should be determined according to an international standard, such as the Anker Methodology.¹¹
- Business partners must ensure that they do not cause harmful soil contamination, water pollution, air pollution, harmful noise emissions or excessive water consumption that significantly and negatively affects a person's health, access to clean water or sanitation, or to the natural resources needed for the preservation and production of food. In order to determine harmfulness or the exceeding of maximum permissible limits, the limit values for permissible emissions specified in the regulations of the country of production shall apply or – if not available or clearly insufficient¹² – international standards.¹³
- When acquiring, cultivating or otherwise using land, water and resources which support a person's livelihood, the business partners must respect and ensure compliance with all applicable local, national, international and traditional land, water and resource rights, in particular, for indigenous communities, the free, prior and informed consent under ILO Convention 169. When contracting or requesting the use of private or public security personnel, for the protection of a project or site, specific measures must be taken to minimise the risk of human rights violations.¹⁴
- The business partners shall not participate in activities that are not explicitly referenced in this Code, but which manifestly and seriously¹⁵ violate international human rights.¹⁶
- Business partners may not add mercury to their products or use mercury in their manufacturing processes.¹⁷
- Business partners must not produce or use persistent organic pollutants and where existing stockpiles are present, they must be handled, collected and stored in an environmentally sound manner.¹⁸
- Hazardous waste must be properly managed in accordance with local, national and international statutes.¹⁹
- The management of the places of work shall work continuously to improve the minimum standards (e.g. by offering housing that is a safe accommodation for the employees, access to adequate sanitary facilities etc.) and it will rectify identified deficiencies immediately.

¹⁰ The term employee also includes self-employed persons who supply a company and informally employed persons, for example persons who are moonlighting, who are subject to a ban on employment or who are bogus self-employed persons under the respective applicable statutes.

¹¹ Anker / Anker, Living Wages Around the World, Manual for Measurement. Values determined in accordance with this method can be retrieved for specific countries at www.globallivingwage.org, <https://www.living-income.com> and www.align-tool.com.

¹² For example, the country's regulations are clearly inadequate if the responsible German, EU or UN institutions determine their shortcomings, or if the thresholds allow permits that are more than 50% above existing international standards.

¹³ In this respect, the standards of the responsible UN institutions, i.e. the Food and Agriculture Organisation of the UN and the World Health Organisation, are definitive.

¹⁴ For example, the International Code of Conduct for Private Security Providers and the Voluntary Principles on Security and Human Rights could be considered for this purpose.

¹⁵ Whether an impairment is severe depends on its severity, reparability and likelihood of occurrence, as defined in section 3.2 no. 3 of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz).

¹⁶ This includes the rights derived from the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Covenant on Civil and Political Rights (ICCPR).

¹⁷ The relevant regulations and exceptions from the Minamata Convention apply.

¹⁸ The relevant rules and exceptions of the Stockholm Convention apply.

¹⁹ The regulations of the Basel Convention are decisive here.

3. CSR standards for products and production

All products used by HORNBAACH itself and all products offered by HORNBAACH to its customers must be of impeccable quality and origin. To this end the companies of the HORNBAACH Group and their business partners have common high expectations regarding the reliability, product quality, and product safety in the choosing of products and pre-products. This includes in particular:

a. standards that apply to all products and productions

- The business partners produce the items in accordance with the individually agreed item specification.
- The materials necessary for production all come from sources that meet the requirements of these CSR standards.
- Products are taken out of the production at a random basis by the business partner to be checked for compliance with the agreed quality and security standards, either by internal experts, e.g. its own laboratories, or by external service providers like accredited and certified institutes.
- The business partner continuously strives, also on its own initiative, for a reduction of the use of resources in the production of the products in the entire supply chain, including water and energy, by optimising the production process or, if possible, an elimination of their use through appropriate procedures and measures.
- The business partner ensures that product packaging is only used in so far it is necessary to protect the respective product from damages. Where possible, the business partner shall use environmentally friendly packaging materials, preferably made from secondary raw materials and recyclable.

b. additional standards for timber and natural stone

- Timber and wood-containing products from growing regions outside of the European Union will feature the Forest Stewardship Council (FSC) label as proof of an environmentally and socially responsible forestry.
- Timber and wood-containing products from within the European Union come verifiably from sustainably and socially responsibly managed forests. For the growing region of Romania the FSC label has to be provided as the relevant proof.
- For the procurement and processing of natural stone, the business partner establishes processes that ensure the responsible treatment of people and the environment. Sources without adequate, audited due diligence processes will not be used.

4. CSR standards within the supply chain

Our business partners must communicate the requirements to their suppliers and take appropriate measures to ensure compliance with the requirements set out in this Code throughout their supply chain. To this end, business partners must make reasonable efforts to enter into agreements with their own suppliers, that are similar or equivalent to this agreement. Should its suppliers not accept such an agreement, the business partner must document the reasons for this and continue its efforts to conclude an agreement. Should no agreement be reached after a reasonable amount of time and effort, the business partner shall, if necessary, investigate the possibility of a change of supplier.

In case of the suspicion of breaches as well as to secure supply chains with elevated risks the business partner will inform the companies of the HORNBAACH Group in a timely manner of the identified breaches and risks as well as the measures taken. In the event of such a report, HORNBAACH shall undertake to engage in constructive dialogue and cooperative problem solving. In conjunction with such a report, termination of the contractual relationship on the part of HORNBAACH due to the subject matter of the report shall only be considered in cases of intentional and

particularly serious violations on the part of the business partner itself, unless the business partner fails to cooperate with HORNBAACH as well as taking into account the regulations for remedying the grievance under point 5.

The business partner may report breaches and risks anonymously by using the HORNBAACH whistleblower system - via <https://hornbach.integrityplatform.org/>. The business partner shall not undertake any reprisals against whistleblowers unless there are exceptional cases of abuse. They shall inform their employees about the existence of the mechanism. The business partner shall undertake to work jointly with HORNBAACH to rectify social and/or ecological deficiencies covered by these CSR standards.

5. Checks and sanctions

Representatives of the HORNBAACH Group as well as third parties acting on behalf of the HORNBAACH Group will have unreserved permission to verify compliance with the CSR standards by conducting random on-site checks in the form of standardised audits of the places of work. These audits require a reasonable period of notice. Exceptionally, the HORNBAACH Group may also conduct unannounced audits in the event of substantiated indications of violations. During audits, the HORNBAACH Group must ensure that no data protection, competition law or confidentiality requirements are breached.

The business partner is to work with its business partners (hereinafter referred to as sub-suppliers) towards granting representatives of HORNBAACH as well as third parties acting on behalf of HORNBAACH unreserved permission to carry out random on-site checks of the places of work using standardised CSR audits.

The HORNBAACH Group is granted the right to request information on standards compliance from the business partner and its sub-suppliers anonymously and to an appropriate extent for the purpose of complying with its due diligence obligations as per the German Supply Chain Due Diligence Act (LkSG). In exceptional cases – with substantiated knowledge of possible violations on the part of sub-suppliers – this may also include randomly requesting the name of the sub-supplier for control purposes. As a rule, however, anonymised information is sufficient.

In case of a non-compliance with the aforementioned standards regarding ecological, social and ethical conduct, the companies of the HORNBAACH Group will take the following action:

- When breaches of the rules become known the companies of the HORNBAACH Group will set the business partner a reasonable deadline to bring its conduct in line with these binding standards. The same shall apply if the business partner does not sufficiently ensure that its sub-suppliers respect and comply with these regulations. During this period, the business relationship may be suspended if there is a repeated or serious breach. Should the business partner fail to comply with the HORNBAACH Group's request within the deadline, the HORNBAACH Group may terminate the contract in question. Insofar as the breach shows that the business partner as a whole is also unwilling or unable to comply with the mandatory standards in other contracts, the HORNBAACH Group shall reserve the right to terminate these as well.
- Should HORNBAACH become aware that a business partner is in breach of the aforesaid agreement, whether intentionally or through gross negligence, or fails to rectify breaches of the rules within a reasonable deadline, HORNBAACH shall reserve the right to terminate the relationship with the business partner with immediate effect. In each case, the contract may be terminated for reasons agreed in this document only if the negative impact that the termination of the relationship would have on the legal interests protected by the CSR standards is less than the negative impact that a continuation of the relationship would have on them. This is to be assumed if the business partner repeatedly or seriously violates the CSR standards and

does not sufficiently cooperate in remedying the deficiencies. Termination rights for other reasons shall remain unaffected.

- This agreement does not establish any legal basis for rights, claims, causes of action or entitlements for third parties against the HORNBACH Group or the business partner.

Place, Date, Company/Name, Signature