

Sustainable Procurement

Sustainable Procurement Policy

For us, Sustainable Procurement means development that is ecologically compatible, socially just and economically efficient. Our voluntary standard is environmentally conscious and socially responsible corporate management.

We expect the same behaviour from our business partners. When selecting suppliers, we pay attention not only to economic but also to ecological and social conditions.

An essential component of Heimbach's procurement strategy is a long-term business relationship. We want a living partnership and to develop together with our suppliers.

We understand sustainable procurement to mean fair dealings with all interest groups. Our buyers act according to ecological, social and ethical principles. They expand their specialist knowledge in regular training courses.

Heimbach's approach to sustainability is holistic. Accordingly, we involve our business partners in the process - be it by motivating them to participate or by demanding internal and external audits.

In this way, we manage to constantly improve the development process within the entire supply chain.



Sustainable Procurement 2021

The year 2021 was marked by the Corona pandemic, the onset of the energy crisis and global supply chain disruptions. Lockdowns and geopolitical developments demonstrated the vulnerability of these. Companies were forced to adapt to the situation in a very short time.

The current circumstances were not only to be seen as a challenge, but also as an opportunity. Whether local sourcing, working from home or digital transformation - for many corporate goals, the pressure to act has increased and change processes had to be accelerated. Agility is gaining relevance in organisations and is thus the answer to a world that is changing faster and faster and requires every individual to rethink.

Despite everything, the pandemic, the beginning of the energy crisis and also the disrupted supply chains had both ecologically positive effects on sustainability at Heimbach.

Our intention of "Sustainable Procurement" is the continuous development of ecological and social principles. Compliance is an integral part of the objective for 2022 and will therefore become increasingly important for Heimbach in the coming years, also characterised by the significantly increasing demands on the organisation. The following statements apply to the entire Heimbach Group.



"Sustainable Procurement is not just a goal. It is a path we take together with our buyers, suppliers and stakeholders."

Dirk Preuß, Head of Purchasing

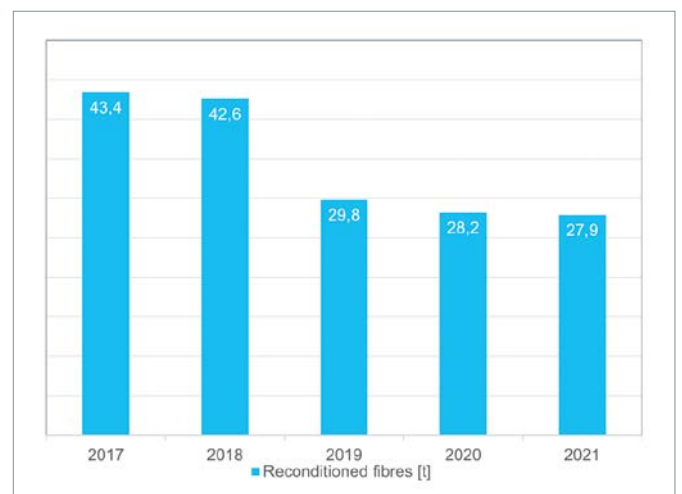
Life cycle assessment

(GRI 301-2 Recycled input materials used)

Waste avoidance and recycling are two cornerstones of the responsible use of resources. Potential savings are to be generated through efficient and intelligent use of resources, e.g. recycling of production waste and use of reusable coils. As a contribution to the circular economy, we plan to return a large part of the materials to production. When it comes to waste disposal, we make sure to work exclusively with authorised specialist companies.

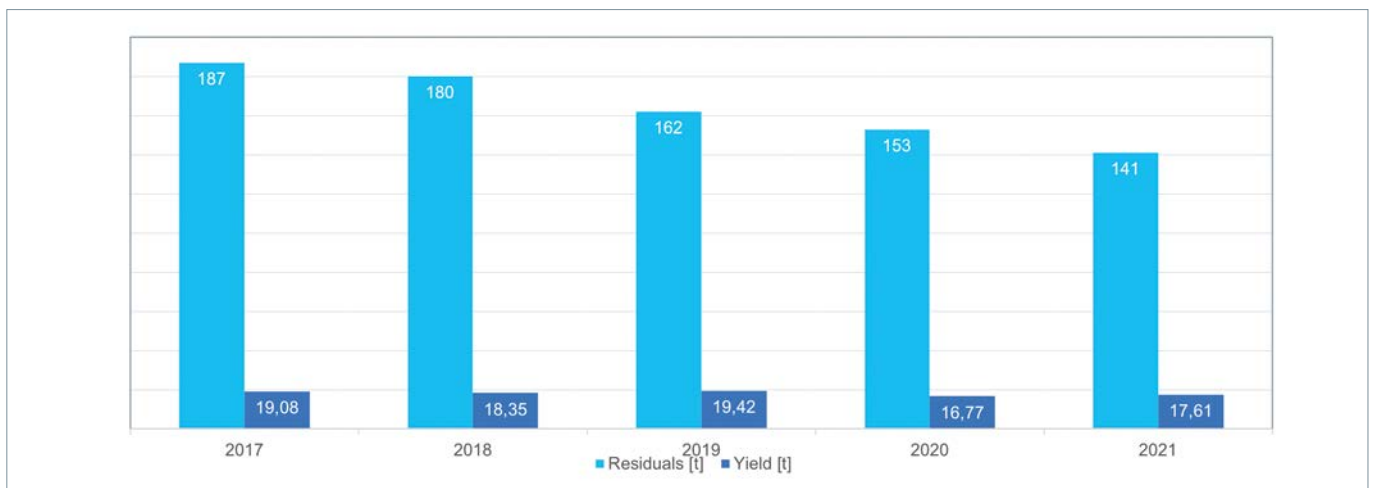
The waste from polyamide (PA) fibres in production, for example, is reprocessed by an external service provider and returned to the manufacturing process. Optimised processes have made it possible to reduce the amount.

Production waste fibres



Through a variety of measures in production, for example, fewer residual raw materials (monofilaments) have been produced. This reduces the yield loss and thus the polyamide (PA) and polyester (PET) waste could also be further reduced in 2021. Yield loss is defined as the use of raw materials in production in relation to production losses.

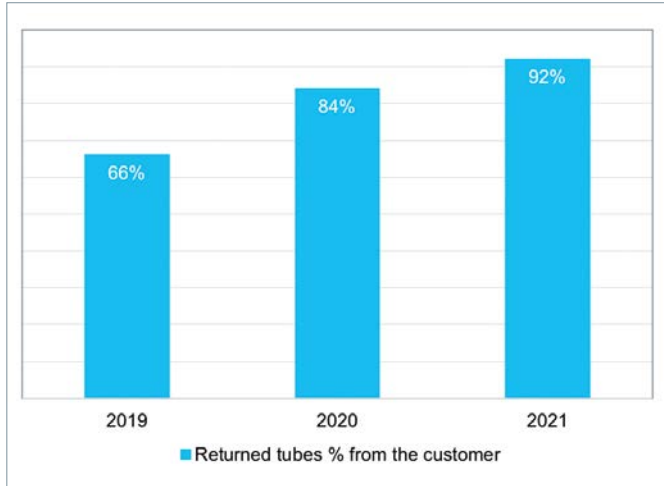
Disposal of PA and PET waste



Recycling of transport aids

(GRI 301-3 Recycled products and their packaging materials)

Aluminium and iron pipes are used as transport aids for shipping PMC products. As a rule, these aids remain with the customer. In cases where economic and ecological factors are in harmony, the tubes are retrieved by Heimbach and used again. This was implemented in 92% of the cases with selected customers in 2021.



Local sourcing

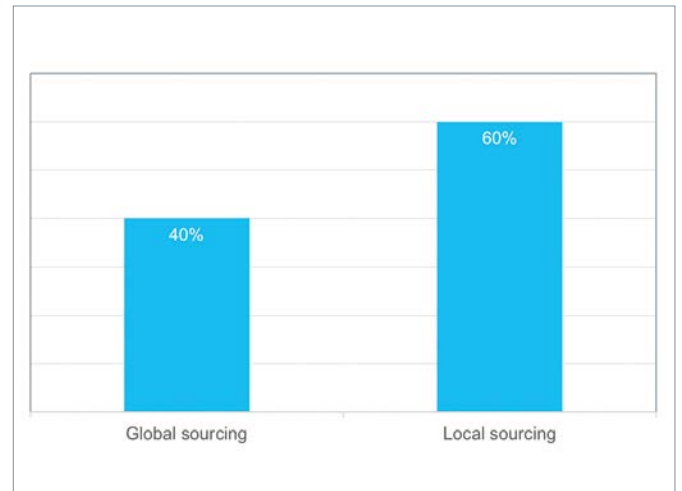
(GRI 204-1 Proportion of spending on local suppliers)

Pandemics, lockdowns and geopolitical developments demonstrate how vulnerable global supply chains are. This forces companies to think and act in a new way. Local sourcing, in contrast to global sourcing, focuses on preferential purchasing from suppliers that are geographically close. The aim is to reduce CO₂ emissions, lower transport costs and significantly shorten delivery times. In this context, the purchasing department analysed the supply flows within the entire supply chain of the Heimbach Group.

Primarily, the purchasing department concentrated on the flow of goods from Europe to Asia and back again, as this is where the greatest leverage is seen. Heimbach has opted for a "local-for-local sourcing" strategy to ensure resilience within procurement and to ensure stable supply chains.

Today, the majority of raw materials for our site in China are still sourced globally. The goal is to source 60% of raw materials locally until 2024.

Targets Local sourcing



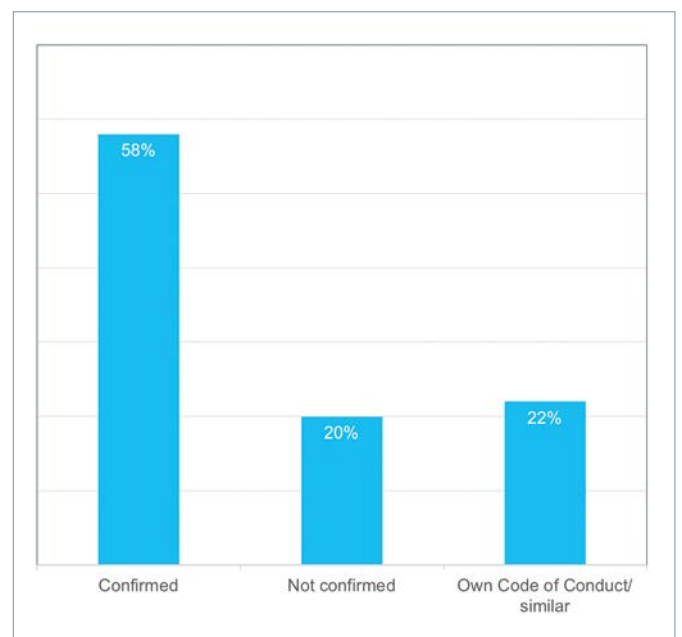
Code of Conduct raw material suppliers

(GRI 102-21 Dialogue with stakeholders on economic, environmental and social issues)

The CoC is an integral part of our purchasing conditions and contracts. In addition to raw material suppliers, auxiliary material and operating material suppliers have now also been included. Currently, 58% of our raw material, auxiliary material and operating material suppliers have already accepted the Heimbach Code of Conduct. 22% of our suppliers have referred us to their own convention. These are usually large companies or groups with compliance embedded in their corporate strategy.

The goal for 2020 was to involve a total of 50 suppliers. Due to resource constraints, we did not quite meet this target with 44 suppliers. Especially for small and medium-sized suppliers (SMEs), the topic of "Sustainable Procurement" has only been on the agenda to a limited extent so far. The reasons for this are usually a lack of resources.

Confirmed Code of Conduct



Commitment of business partners

The "Standards for Business Partners" will be fundamentally revised in 2022. By the end of 2023, all major suppliers within the Heimbach Group are to be obliged to acknowledge this new Code of Conduct in writing.

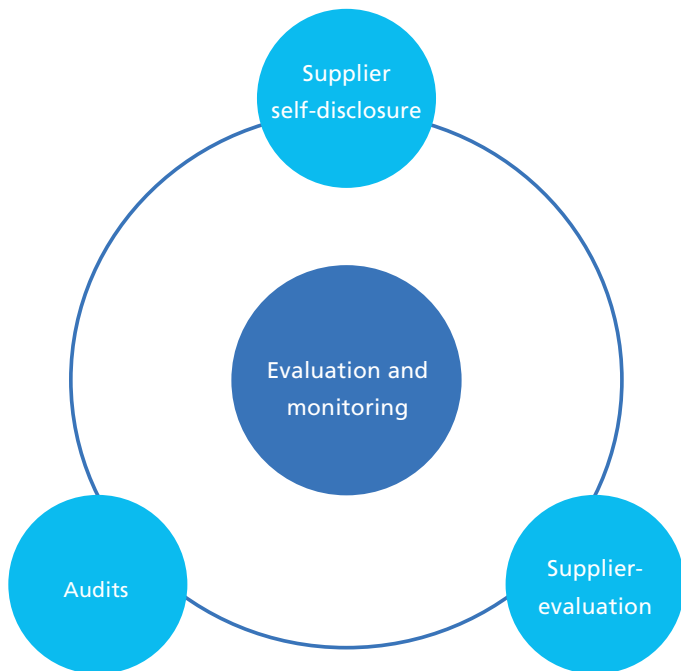
Corruption prevention - Procurement

(GRI 205-2 Communication and training on anti-corruption policies and procedures)

For the Heimbach Group, being present on the global market means being exposed to risks of bribery and corruption. In order for us to effectively prevent and fight corruption in the procurement process, we need to implement some mechanisms that already support us today:

- Identify and prevent corruption
- Accountability and contact persons for corruption prevention
- Approval strategies when awarding contracts (dual control principle)
- More competition through tendering
- Prevention of maverick buying - procurement exclusively by the purchasing department
- Regular internal audits/reviews
- Self-commitment of employees and suppliers
- Basis for cooperation is recognition of the CoC
- Prevention through training of employees in purchasing
- Implement transparent procurement processes

Evaluation and monitoring



Supplier assessment

(GRI 308-1 New suppliers assessed against environmental criteria, GRI 414-1 New suppliers assessed against social criteria)

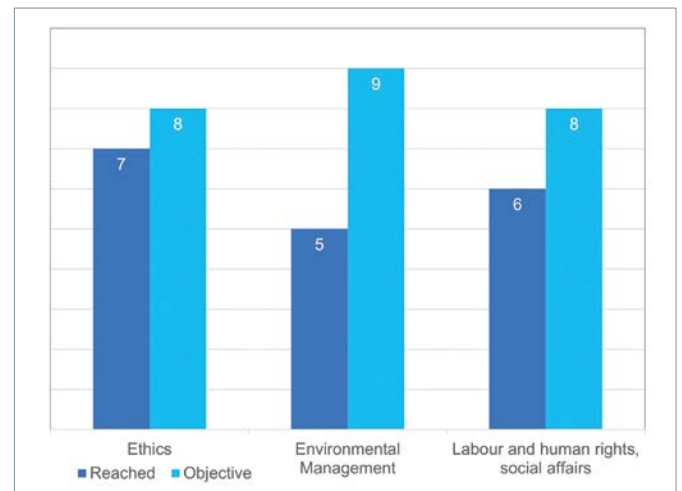
The assessment and monitoring of our suppliers consists of:

- Regular supplier analysis
- Supplier information
- Supplier audits

It helps us to identify development potentials of our suppliers. In 2020/2021, we carried out a group-wide assessment of our raw material suppliers; there were no significant changes here, also due to the Corona pandemic and disrupted supply chains. Our evaluation concerned suppliers with a share of approx. 40% of the procurement volume. An expansion is not planned for the time being, as this allows us to concentrate on the essential suppliers and work specifically on the further development of sustainable procurement.

In a first step, we check new suppliers via a supplier self-disclosure form before we approve them. Environmental, social and ethical criteria are taken into account before approval is granted. These are to be updated every three years. In addition, existing suppliers are to be reviewed and evaluated through 1-3 audits per year.

Results of supplier evaluation 2020/2021 raw materials



(Scaling according to the company's own point evaluation)

Employees

With the German Association for Materials Management, Purchasing and Logistics (BME), Heimbach was able to participate in many events regarding sustainable procurement and thus benefit from the knowledge transfer. This enables our buyers to exchange practical information with other companies and professional associations in favour of sustainable procurement. Regular digital training and continuous exchange are an important part of the implementation. In 2021, 50% of our commodity buyers have been trained. Further training is planned for the future.

Risks & Challenges

(GRI 102-15 Key impacts, risks and opportunities)

Reinforced by the pandemic, disrupted supply chains and the sharp increase in costs (raw materials, supplies, energy & transport), it is necessary to analyse which countries, suppliers and products within the supply chain may belong to a risk group. Accordingly, we have defined risks in more detail and determined possible measures.

Risks

- Disrupted supply chains
- Shortage of goods, services and transport
- Supplier failures
- Rising costs (energy, raw materials and supplies, transport)
- Supply chain law requirements / sustainability in procurement
- Lack of resources in purchasing

The departure from familiar processes and procedures and long-term strategies represent the greatest challenges in today's procurement. Procurement staff must consequently evolve into an agile workforce in order to cope with the increasingly complex and volatile environment. Lack of substitutes is also a major problem for Heimbach. Purchasing and development are working closely with suppliers to find alternative options.

Challenges in 2022

To achieve our compliance targets, we need to implement the following measures:

- Transformation process at Heimbach
- Introduction of SAP 4/Hana
- Reconcile economic and environmental goals
- Exert influence within the supply chain
- Establish structures that support sustainable procurement
- Provide necessary resources (internal and external)
- Implement a uniform procurement strategy for all locations
- Search for substitutes or alternatives and minimise procurement risks

Key objectives of the Heimbach Group for 2022 - 2030

- 100% of raw material suppliers sign the Heimbach Standards for Business Partners by 2024
- > 60% of the raw materials (basis KG) for our site in China are to be sourced locally by 2025 to significantly reduce CO₂ emissions
- 1-3 supplier audits per year
- Implementation of digital supplier management in 2024
- Reduction of yield losses by 30% by 2030

Targets formulated for 2021 within Sustainable Procurement, had to be partially postponed in order to be able to maintain a stable supply. In this context, the challenges for procurement lay and lie primarily in the management of the increasingly complex global supply chains. The Supply Chain Act (LkSG) will oblige companies in the future, to establish effective and appropriate processes of social, human rights and environmental due diligence.

If one draws a conclusion at present, then despite all the effort for purchasing, the global challenges also result in numerous opportunities for the company's own corporate success.