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# Sustainable Procurement Policy

Version 1.1

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## Introduction

TER Chemicals Distribution Group ("TER Chemicals") specializes in distribution of specialty chemicals and we have been involved in chemical trade for more than one hundred years with excellent and sound market expertise in this industry. Our goal is clearly defined: we are the specialty chemical distributor of choice for our suppliers, customers, and employees. As experts in technical and application-related product solutions, we offer holistic services for procurement and logistics, working with external partners for storage and transportation. Our mission is to create value as a dedicated technical and chemical advisor in Europe by leveraging our skilled professionals, quality products and exceptional service.

This policy reflects our dedication to building a transparent, socially responsible, and environmentally conscious supply chain. The policy serves as a framework for integrating environmental, social, and governance (ESG) considerations into our procurement decisions alongside conventional factors such as price, quality, and reliability. Furthermore, we are committed to defining and advancing a sustainable portfolio that reflects our responsibility as a global player in the chemical distribution industry. By engaging with our suppliers, we aim to mitigate social and environmental risks while creating opportunities for positive impact. Furthermore, we are committed to building strong partnerships with new suppliers who align with and uphold the principles of this policy, ensuring a shared commitment to sustainable procurement.

Aligned with the United Nations Sustainable Development Goals (SDGs), this policy promotes and supports Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 12: Responsible Consumption and Production and Goal 13: Climate Action.

This policy not only demonstrates our commitment to sustainability but also sets unified goals for all TER Chemicals' entities and their suppliers to work towards. Through collective effort, we strive to create a more resilient and sustainable supply chain while holding ourselves accountable to measurable progress.

*Andreas Früh*

Andreas Früh  
CEO

*Uta Seiler*

Uta Seiler  
CFO

## Scope

Our policy applies to the TER Chemicals Distribution Group including all its legal entities, both domestic and foreign. It covers all employees.

TER AS PORTUGAL UNIPessoal, LDA (PT)  
TER AS PRODUCTOS S.L. (ES)  
TER CHEMICALS CEE GMBH (AT)  
TER CHEMICALS GMBH & CO. KG – HEAD OFFICE (DE)  
TER CHEMICALS GMBH & CO. KG – RHEIN-MAIN (DE)  
TER FRANCE S.A.R.L. (FR)  
TER INGREDIENTS CEE GMBH (AT)  
TER INGREDIENTS GMBH & CO. KG (DE)  
TER INGREDIENTS S.L. (ES)  
TER ITALIA S.R.L. (IT)  
TER NORDIC APS (DNK)  
TER SCHWEIZ AG (CH)  
TER UK LTD. (UK)  
TER ASIA PACIFIC LTD. (CN)  
GEHRING-MONTGOMERY, INC. (US)  
Trexan Chemicals, Inc. (US).

## **Statement**

At TER Chemicals, we are committed to integrating sustainability principles into our procurement practices to contribute to a more sustainable and equitable supply chain:

### **Compliance and ethical business practices**

- We foster partnerships with suppliers who adhere to applicable laws and regulations while actively collaborating with us to ensure the smooth implementation of upcoming EU regulations.
- We require our suppliers and service providers to comply with internationally recognized labor and human rights standards as well as environmental standards and confirm compliance with our Supplier Code of Conduct.
- We are committed to conducting comprehensive risk assessments of our suppliers and ensuring transparency in the supplier evaluation process to promote accountability and ethical practices throughout our supply chain.
- We work together with suppliers to develop long-term partnerships that promote sustainable practices and innovations.

### **Climate change and carbon emissions reduction**

- We encourage our suppliers to adopt environmentally responsible practices by calculating their corporate carbon footprints and implementing measures to reduce greenhouse gas emissions, energy and water consumption, and waste generation.
- We enable our suppliers to calculate the Product Carbon Footprint (PCF) of the products they produce and supply, ensuring transparency in emissions tracking and better accountability to our stakeholders.
- We actively support logistics optimization by analyzing product flows, developing measures to reduce transport distances, improving loading efficiencies and exploring low carbon transport methods to minimize supply chain emissions.

### **Sustainable product portfolio**

- We evaluate products within our portfolio based on our clearly defined criteria for sustainable products and set a goal to increase the share of sustainable products that meet these criteria.
- We are committed to reducing the share of hazardous chemicals in our portfolio by identifying and implementing safer alternatives.
- We collect information on the recyclability of our products and are committed to advancing circularity as a focus aspect of our procurement practices. • We aim to support local sourcing of the products we supply (products produced geographically close to customers) where feasible to minimize transport emissions and support local economies.
- We strive to assess the potential for packaging reduction across our products and implement effective measures to reduce packaging waste and promote resource efficiency.

Through these commitments, we seek to make a meaningful and lasting contribution to the well-being of our planet and future generations. This Sustainable Procurement Policy outlines our position on issues material to our company as well as commonly known issues within supply chain management.

## **Quantitative targets related to sustainable procurement**

To drive measurable progress in sustainable procurement, we set quantitative targets that align with our environmental and social responsibility commitments. These targets help us track performance, enhance supply chain transparency, and continuously improve our sourcing practices in collaboration with our suppliers.

### **Climate targets**

- Provide Product Carbon Footprints (PCFs) for 70% of the portfolio by 2027.
- Reduce logistics CO<sub>2</sub>e per kg by 10% through process optimization by 2030.

### **Sustainable Supply Chain**

- Review of packaging for further reduction potential by 2027.
- Have 100% supplier commitment to our current Code of Conduct or similar tracked digitally by 2027.
- Cover 100% of suppliers by risk analysis and mitigation measures by 2027.

### **Sustainable Portfolio**

- Develop an economic growth strategy for sustainable product portfolio by 2027.
- Provide recyclability information for 100% of the portfolio by 2027.
- Reduce the share of hazardous chemicals in the portfolio by 2028 (goal definition by 2025).

## Materiality of sustainable procurement topics

At TER Chemicals, we recognize the importance of identifying and addressing the most significant topics that affect our supply chain. Including these topics in a sustainable procurement policy ensures alignment with corporate sustainability goals, regulatory compliance, and stakeholder expectations.

### ➤ Compliance and ethical business practices

We are committed to taking responsibility for activities in all working environments and maintain the highest standards of business ethics, competition integrity, as well as compliance with all relevant and applicable laws and regulations.

As a distributor of specialty chemicals for many industries, we have a diverse supply chain subject to different legislations. By choosing suppliers agreeing with our basic requirements and working together to enhance working conditions and ethical compliance, we develop long-standing relationships with sustainable suppliers and protect our business from reputational damage.

#### Commitments:

- We foster partnerships with suppliers who adhere to applicable laws and regulations while actively collaborating with us to ensure the smooth implementation of upcoming EU regulations.

We conduct daily checks against sanction and embargo lists and conduct regular risk assessments.

We communicate regulatory changes, such as CBAM or CSDDD, their implications and corresponding data needs to our suppliers.

- We require our suppliers to comply with internationally recognized labor and human rights standards as well as environmental standards and confirm compliance with our Supplier Code of Conduct.

We enhance traceability and transparency by storing the confirmation of the Supplier Code of Conduct and any further information like certificates for environmental or occupational safety management, memberships in sustainable industry associations etc. in a central database.

- We are committed to conducting comprehensive risk assessments of our suppliers and ensuring transparency in the supplier evaluation process to promote accountability and ethical practices throughout our supply chain.

Our assessment criteria are exchanged with the supplier to outline our expectations and ensure adherence.

Any violations of our Supplier Code of Conduct or suspicion thereof are centrally documented. A dedicated team classifies all reports and initiates further steps.

- We work together with suppliers to develop long-term partnerships that promote sustainable practices and innovations.

To support our suppliers in strengthening working conditions in accordance with international human rights and environmental standards, we provide best practices and recommend training opportunities and sources of information.

If the investigation of an alleged violation reveals actual deviations from human rights, environmental standards or similar, a corresponding corrective action plan is developed and communicated with the supplier. We follow up on all corrective actions to review their effectiveness and initiate further measures if necessary.

### ➤ **Climate change and carbon emissions reduction**

Climate change presents significant risks and challenges for global supply chains, making it a critical and material issue for businesses. The chemical distribution industry is particularly affected due to high carbon emissions from manufacturing, resource-intensive production processes, and transportation-related environmental impacts. By actively collaborating with suppliers to reduce emissions, enhance efficiency, and develop sustainable solutions, TER Chemicals can strengthen supply chain resilience, maintain competitiveness, and ensure compliance with evolving regulations.

#### **Commitments:**

- We encourage our suppliers to adopt environmentally responsible practices by calculating their corporate carbon footprints and implementing measures to reduce greenhouse gas emissions, energy and water consumption, and waste generation.
  - ➔ Work to ensure that suppliers are aware of and actively working to calculate and reduce their carbon footprint, covering Scope 1, 2 and 3 emissions. This data serves as a foundation for Product Carbon Footprint (PCF) calculations and overall sustainability reporting.
- We enable our suppliers to calculate the Product Carbon Footprint (PCF) of the products they produce and supply, ensuring transparency in emissions tracking and better accountability to our stakeholders.
  - ➔ Data collection and tracking – actively supporting, consulting and encouraging suppliers to calculate the PCF of their products in accordance with recognized standards.
  - ➔ Raise Awareness and Communicate – the relevance of PCF data for corporate sustainability goals, customer requirements, and regulatory compliance (e.g., CSRD)
- We actively support logistics optimization by analyzing product flows, developing measures to reduce transport distances, improving loading efficiencies and exploring low carbon transport methods to minimize supply chain emissions.

- Data and Transparency – Assess supply routes and identify opportunities to reduce transport distances e.g. by sourcing from strategically located suppliers.
- Engage Suppliers and Strengthen Partnerships – Collaboration with suppliers and carriers to reduce their transportation emissions.
- Optimize loading efficiencies - Work with suppliers, customers and logistics partners to reduce empty or underutilized transport capacity.

### ➤ Sustainable product portfolio

The continuous development of a more sustainable portfolio and the offer of alternative product solutions is an important contribution to achieving our sustainability goals and supporting the circular economy of resources. Continuous improvement and transparency are key to our approach, ensuring compliance with international sustainability standards. Through these efforts, we strive to create long-term value for our customers and suppliers.

#### Sustainability criteria

Manufacturing/Sourcing	Product	Disposal/recovery
Tracking CO <sub>2</sub> - PCFs	Renewable materials	Biodegradability
Origin EU/Non-EU	Alternative product	Recyclability
Deforestation	Recycled content	
Packaging	Carbon Capture (and Utilization)	

#### Commitments:

- We are committed to reducing the share of hazardous chemicals in our portfolio by identifying and implementing safer alternatives.
  - Portfolio Analysis – Identify products with high-risk potential and evaluate sustainable alternatives.
  - Substitution Assessment – Actively seek alternatives with less hazardous substances.
  - Market Communication – Actively inform about sustainable alternatives and highlight their benefits.
  - Collaborative development efforts – Develop solutions to replace hazardous chemicals in cooperation with internal and external partners.
- We evaluate products within our portfolio based on our clearly defined criteria for sustainable products and set a goal to increase the share of sustainable products that meet these criteria.

- Prioritize Sustainable Alternatives – Favor sustainable products in new selections and portfolio adjustments where possible. 9
  - Engage Suppliers and Strengthen Partnerships – Request sustainability certifications from suppliers and collaborate to develop more sustainable options.
  - Data and Transparency – Regularly document and analyze the share of sustainable products in the portfolio.
  - Market and Trend Scouting – Identify market trends and innovative sustainable products for portfolio expansion.
  - Market Communication – Develop clear communication strategies to position sustainable products effectively.
- We collect information on the recyclability of our products and are committed to advancing circularity as a focus aspect of our procurement practices.
    - Collect Recyclability Data – Gather and document information on the recyclability of all products
    - Prioritize Circularity – Favor products with high recycled content or circular potential in procurement decisions where possible.
    - Evaluate Sustainable Alternatives – Identify and assess products with better recyclability options.
    - Engage Suppliers and Strategic Product Development – Request transparency from suppliers regarding material cycles and recycling options and support the development and introduction of products with improved recyclability.
    - Monitor Market and Technology Trends – Identify new recycling technologies and circular product innovations.
    - Raise Awareness and Communicate – Develop strategies to inform customers about the circular potential of the portfolio.
  - We aim to support local sourcing of the products we supply (products produced geographically close to customers) where feasible to minimize transport emissions and support local economies.
    - Prioritize Local Suppliers – Prefer suppliers that manufacture close to customer markets where possible.
    - Cost-Benefit Balance – Find a balance between price, quality, and sustainability through local sourcing.
    - Analyze Market Potential – Identify regions where local production provides a competitive advantage.
    - Consider Customer Expectations – Explore which markets place high value on locally produced products.

## **Stakeholders and allocation of responsibility**

Effective implementation of this policy requires clear accountability and collaboration across all relevant stakeholders. Product management teams, supplier service, sustainability and innovation managers, and executive leadership

share responsibility for ensuring compliance, monitoring progress, and driving continuous improvement in alignment with the company's sustainability goals.

- Product Management ensures the implementation of the policy and, during the annual review process, develops the best practices and tools. • Head of Product Management focuses on implementing the policy in Business Units and subsidiaries.
- Supplier Service supports review process and implementation.
- Executive Management ensures alignment with company strategy, making key decisions for long-term policy commitments.
- Sustainability Management oversees the strategic implementation and development and organizes the yearly review process.

Innovation Management supports the review process and monitors the development of our sustainable product portfolio.

## **Review Mechanism**

Yearly taskforce with sustainability team and product management representatives to follow up on currency of the policy, review progress and identify best practices and tools that the company can use to help achieve its commitments and targets.

## **Timeline**

This Policy will be reviewed and updated annually to ensure alignment with evolving company priorities, industry standards and regulatory requirements. As part of this process, relevant stakeholders will be consulted annually to assess the effectiveness of the policy, incorporate relevant updates and ensure that it continues to reflect the company's sustainability commitments.

## **Policy Implementation**

This Sustainable Procurement Policy has been developed to outline our commitments and principles for responsible sourcing, providing a framework for action and the establishment of sustainability objectives and targets.

This policy applies to all TER Chemicals entities and serves as a guiding document for integrating sustainability into procurement practices. It is subject to an annual review <sup>11</sup> by the Sustainable Procurement Taskforce to ensure its ongoing relevance and effectiveness in addressing environmental, social, and governance (ESG) challenges.

The policy is fully endorsed by senior management, demonstrating our leadership's commitment to transparent, ethical, and sustainable supply chain management. For accessibility and accountability, it is available to all stakeholders and can be found on the TER Chemicals website.