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Issue 2024

ESG Supply Chain





Global Policy (GPL)

ESG Supply Chain

Code: GPL.113.24	Issue: 01 (March 2024)
Purpose	Formalize the process adopted for the selection and evaluation of suppliers according to ESG criteria.
What I have to do	Read and supervise the execution of the reported activities in a timely and effective manner to ensure compliance with ESG principles in the value chain.

Sponsor	Chief Executive Officer
Key Content Owner	Global Procurement
Other impacted functions	All
References	<ul style="list-style-type: none"> <i>Code of Ethics</i> <i>Supplier Code of Ethics</i> <i>DN.GPL.107 -Human Rights Policy</i> <i>DN.GPL.100 Global Anti-Corruption Policy</i>
Superseded Docs	None
Applicability	All Legal Entities
Distribution	All DN Personnell
Approver	Chief Executive Officer Paolo Dellachà 

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Acronyms and definitions

ESG: The acronym “ESG” refers to three main areas, respectively Environment, Social and Governance, essential for verifying, measuring, monitoring, and a company's or organization's sustainability efforts. Each of these pillars is related to a specific set of criteria, such as: commitment in promoting production processes with a lower impact on the environment, respect of the territory, people and community, and a management modelled on good practices and corporate ethical principles.

Noble Metals: Chemical elements belonging to the category of metals that, due to their chemical characteristics, can guarantee high performance in terms of resistance to oxidation, high conductivity, and are crucial for the functioning of De Nora products.

Suppliers: Companies belonging to the supply chain and providing De Nora with raw materials, semi-finished products, components, services, etc.

Top management: The corporate functions representing the ultimate source of authority between the management levels, which are responsible for defining the company's objectives and strategic plans and providing guidance and direction.

Distribution: To all De Nora staff

1. Key Principles

In order to progress on an evolutionary path towards sustainability and integrate ESG issues into its long-term strategy, De Nora believes it is important to define a *governance* and supply chain management structure specific to ESG issues that ensures the effective application of these principles.

This document aims at formalizing and presenting the Group's supply chain process of qualification and selection of suppliers, according to ESG criteria.

This Policy applies to the entire De Nora Group and the commitments outlined, fully supported by the *top management*, must be observed by the entire Group.

Periodically, this document will be subject to updates based on changes in *governance*, management systems, and internal assessments and will be reviewed to assess its adequacy or to define any changes and/or improvement actions to be implemented.

2. De Nora's Supply Chain

Developing a sustainable supply chain is part of De Nora's broader vision, aimed at raising awareness and strengthening social and environmental responsibility at all the levels of the Group.

To achieve this goal, it is crucial to establish long-term relationships based on proactive collaboration with professional suppliers and business partners and to equip with the necessary safeguards to evaluate and monitor their performance.

Within its business, the expenditure of direct materials constitutes more than 80% of the expenditure in the various geographical areas where the Group operates. This is a consequence of the type of supply, which essentially includes materials such as noble metals (e.g. iridium, ruthenium, platinum, etc.), titanium and nickel. De Nora is aware that noble metals, which play an essential role in the functioning of its products, are among the rarest raw materials in the Earth's crust.

The remaining purchases consist mainly of semi-finished products (mechanical components, water treatment components and systems) and services.

De Nora is committed to establishing business relationships with suppliers and partners engaged in the protection and respect of human rights and environment.

3. Responsible Supply Chain Management

De Nora, in line with its sustainability-oriented strategy, has implemented a series of safeguards regarding the selection and evaluation of suppliers, to monitor compliance with ESG issues throughout the procurement process:

1. Compliance with the principles outlined in the Suppliers' Code of Ethics;
2. ESG performance evaluation of De Nora's suppliers through an assessment carried out by a third party.

Distribution: To all De Nora staff

3.1 Compliance with the Code of Ethics and Supplier Code of Ethics

When the supplier becomes a supplier of the Group, De Nora requires compliance with the principles set out in the Code of Ethics and the Supplier Code of Ethics.

These documents define the conduct guidelines that De Nora requires third parties to apply in the performance of their business activities, about aspects of ethics, compliance, health and safety, environment, corruption, human resources, relations with stakeholders, transparency and anti-fraud. Failure to comply with these principles shall constitute grounds for revision of contractual clauses and the imposition of sanctions, where applicable.

In each purchase order, the supplier's adherence to the Supplier Code of Ethics is included in the Terms and Conditions of the contract, outlining the minimum standards related to the workplace and business practices required for its suppliers, with further reference to the Code of Ethics.

3.2 ESG assessment of suppliers

Along with the request for *compliance* with De Nora's Codes, the most relevant suppliers in terms of expenditure are subjected to an assessment process based on the completion of a detailed questionnaire on sustainability topics issued by a third party.

This questionnaire, developed and managed by the same third party, comprises a series of questions divided into five areas:

- 1) Business: overview of the Corporate Sustainability strategy, the products or services offered, the presence of research and development activities and the presence of an ESG risk identification and management system.
- 2) Environment: focus on how resources are managed, their impact on the environment and the certifications present.
- 3) Social: the assessment aims to determine the methods of personnel management, the presence of safeguards such as certifications and/or regulations, and the methods for managing relations with stakeholders and the local community.
- 4) Governance: questions focused on the legal and administrative composition and existing certifications;
- 5) Sector: specific questions related to the supplier's industry.

The output of the questionnaire is a score from A (highest) to E (lowest) that allows suppliers to be ranked.

4. Change log

Issue	Change description / Reason for Change	Interested Chapters
1 (113.2024)	First Issue	A