



MDSTM
HOLDING

HMFTM
FOOD PRODUCTION


motido


PRODIMI
HEALTHCARE


MERXTM
Bellavie

PALM OIL PURCHASING POLICY MDS HOLDING

BACKGROUND

Palm oil and palm kernel oil are extracted from the flesh or kernel of the oil palm fruit. Due to their unique properties, they are components of many composite foods and various products in the pharmaceutical, cosmetic, and non-food sectors. We are aware that the cultivation and use of palm (kernel) oil are ethically and ecologically controversial; oil palms only grow in tropical climates, often leading to deforestation of primary forests, destruction of habitats, and exploitation of human resources.

Therefore, MDS Holding and its subsidiaries, HMF, Prodimi, MERX Bellavie, and motido, have committed to sourcing only palm (kernel) oil from certified sustainable cultivation for their products. The Round Table on Sustainable Palm Oil (RSPO) is the world's most renowned organization for certified palm oil and its derivatives.

Since April 10, 2016, MDS Holding has been an RSPO member and registered as a Supply Chain Associate, and since March 15, 2019, motido has been as well. While motido is now officially an MDS subsidiary since 2022, it maintains its separate RSPO membership. As the requirements and implementations are consistent across all MDS entities, motido is considered one of the MDS subsidiaries.

MDS Holding, with its subsidiaries (referred to as MDS hereafter), thus commits to sustainable practices regarding palm oil and takes its responsibility seriously. MDS exclusively deals with RSPO-certified palm (kernel) oil and derivatives, even as components of finished products. The company encourages its partners to consider this in new product developments.

Certification for palm oil can occur through four different supply chain systems:

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|---------------------------------|---|
| Book & Claim (BC): | Certificates for conventionally grown palm oil are bought globally, known as Green Palm certificates. |
| Mass Balance (MB): | Sustainably grown palm oil is mixed with conventional palm oil, administratively monitored. |
| Segregation (SG): | Sustainably grown palm oil remains separate from non-certified palm oil throughout the entire supply chain. It is 100% RSPO-certified. |
| Identity Preserved (IP): | Sustainably produced palm oil from a single certified production facility remains separated from non-certified palm oil throughout the entire supply chain and can be traced back to the production facility. |

In accordance with Chapter 3, Paragraph 2 of the RSP0 Code of Conduct for Supply Chain Associates¹, MDS has developed the following principles and implementation criteria for trading in palm (kernel) oil, palm (kernel) oil-containing products, and derivatives thereof (hereinafter referred to as palm oil).

COMMITMENT AND IMPLEMENTATION IN THE FOOD SECTOR

01 To fulfil RSP0 member obligations, our production partners are required to use RSP0-certified material when using palm oil. Certification of the entire supply chain is necessary.

- ✓ RSP0 supply chain certification is required for the last processing facility.
- ✓ If a product contains palm oil, the use of RSP0-certified palm oil is agreed upon with the partner in the order confirmation.
- ✓ Offers for products containing non-certified palm oil are rejected.
- ✓ Before presenting an offer to a customer, it is verified with the production partner whether the use of RSP0-certified palm oil is possible.
- ✓ At the start of the contract, every palm (kernel) oil supplier must present the RSP0 certificate of the last production facility. If available, it can be assumed that only certified palm oil is used throughout the supply chain.

02 All palm oil products, even as ingredients, are RSP0 certified by one of the following methods: Identity Preserved (IP), Segregated (SG), or Mass Balance (MB). Palm oil certified under the Book and Claim (BC) method is not accepted.

- ✓ If pure palm oil is sold, it must be at least SG certified.
- ✓ If a product contains palm oil or palm kernel oil, it should be physically certified, i.e., through IP, SG, or MB methods.
- ✓ If a product contains palm oil derivatives, these must be purchased at least through the Mass Balance (MB) method.
- ✓ Products containing palm oil certified under the BC method are rejected.

03 In the spirit of continuous improvement, the long-term goal is to use exclusively IP- and SG-certified palm oil.

- ✓ Ideally, no palm oil or derivatives relying on the MB method should be used.
- ✓ By 2025, a complete transition to IP-certified palm oil is aimed for in the food sector.

¹ Chapter 3, Paragraph 2 of the RSP0 Code of Conduct for Supply Chain Associates (as from 01.12.2022):

"In being committed towards the production, procurement and use of Sustainable Palm Oil¹, members to whom the P&C² do not apply directly shall adopt and implement environmental and social standards no lower than those set out in the P&C."

04 Laws and regulations in the processing and destination country are considered.

- ✓ Compliance with destination country requirements can be demonstrated (e.g., through layout declaration checks).
- ✓ The customer's palm oil purchasing conditions in the respective country are known and considered in order confirmations.

05 RSPO membership and Supply Chain Associate status are communicated to stakeholders.

- ✓ RSPO membership is reported on the company website under the Sustainability section. Current developments are also published if available.
- ✓ MDS's commitment to palm oil is part of the Management Review during the annual IFS Broker Audit.

06 Only production partners committing to high social standards, similar to MDS, are selected.

- ✓ This is ensured through the terms and conditions of the subsidiaries.

07 Ecological criteria beyond RSPO requirements should be increasingly demanded from partners

- ✓ No cultivation on peatlands and other areas with high carbon content.
- ✓ No use of hazardous pesticides (classified as WHO hazard classes 1A or 1B or listed in the Stockholm and Rotterdam Conventions) and Paraquat.
- ✓ Strict regulations for reducing greenhouse gas emissions at the level of oil palm plantations and mills.
- ✓ Direct disclosure of greenhouse gas emissions arising from the cultivation, transport, and processing of palm (kernel) oil.
- ✓ Ensuring that certified palm oil mills source only known and legally cultivated raw materials (Fresh Fruits Bunches).

PRINCIPLES AND IMPLEMENTATION IN THE NON-FOOD SECTOR

01 To fulfill RSPO member obligations, our production partners have been required since the end of 2018 to use RSPO-certified material when using palm oil. Control and certification of the entire supply chain are necessary.

- ✓ RSPO certification is required for the last processing facility.
- ✓ If a product contains palm oil, the use of RSPO-certified palm oil is agreed upon with the partner in the order confirmation.
- ✓ Offers for products containing non-certified palm oil are rejected.
- ✓ Before presenting an offer to a customer, it is verified with the supplier whether the use of RSPO-certified palm oil is possible.
- ✓ At the start of the contract, every palm (kernel) oil supplier must present the RSPO certificate of the last production facility. If available, it can be assumed that only certified palm oil is used throughout the supply chain.

02 Palm oil products, even as ingredients, are RSPO certified by one of the following methods: Identity Preserved (IP), Segregated (SG), or Mass Balance (MB). Palm oil certified under the Book and Claim (BC) method is avoided.

- ✓ If a product contains palm oil or palm kernel oil, it should be physically certified, i.e., through IP, SG, or MB methods..
- ✓ If palm oil derivatives or fractions are used in a product, these must at least be covered by Book & Claim certificates/RSPO credits.
- ✓ Products containing palm oil certified according to the BC process (excluding derivatives and fractions) will be rejected.

03 For continuous improvement, partners are constantly encouraged to use palm oil certified to a higher system.

- ✓ Since 2020, palm oil for products in the pharmaceutical, cosmetics and non-food sectors should, if technologically possible, be certified at least according to the SG process.
- ✓ From 2025, the derivatives and fractions used should also be physically certified.

04 Laws and guidelines applicable in the country of processing and destination are considered.

- ✓ Compliance with the requirements applicable in the country of destination can be proven (for example through the declaration tests of the layouts).
- ✓ The customer's palm oil purchasing conditions in the respective country are known and taken into account in the order confirmations.

05 RSPO membership and supply chain associate status are communicated to stakeholders.

- ✓ Membership in the RSPO is reported on the company homepage under sustainability. If available, current developments will also be published here.
- ✓ MDS's commitment to palm oil is part of the management review in the annual IFS Broker Audit.

06 Only production partners who, like MDS, are committed to maintaining high social standards are selected.

- ✓ This is ensured via the general terms and conditions of the subsidiaries.

07 Ecological criteria that go beyond the RSPO requirements should increasingly be required of partners

- ✓ No cultivation on peat soils and other areas with high carbon content.
- ✓ No use of dangerous pesticides (assigned to hazard classes 1A or 1B by the WHO or listed in the Stockholm and Rotterdam Conventions) or paraquat.
- ✓ Apply strict regulations to reduce greenhouse gases at the level of oil palm plantations and mills.
- ✓ Direct disclosure of greenhouse gas emissions resulting from the cultivation, transport and processing of palm (kernel) oil.
- ✓ Ensuring that certified palm oil mills source non-certified raw materials (fresh fruit bunches) exclusively from known and legal cultivation.