

## Purchasing guidelines of MERZ Schaltgeräte GMBH + CO KG

### Partnership as the key to success

#### Principle of MERZ Schaltgeräte GMBH + CO KG

The principle for all departments is: "Partnership, the key to success". This principle is particularly important in our dealings with our external customers and suppliers. Anyone who is a supplier or wants to become a supplier must be prepared to build up and constantly develop the cooperative partnership in constant joint work. The foundation is formed by:

- Fairness
- Frankness
- Trust

#### Customer satisfaction

The requirements and satisfaction of our customers are our motivation. In order to achieve the optimum in terms of quality, energy efficiency, delivery reliability and costs, we always work together in a cross-divisional and cooperative manner in the implementation of tasks and goals. The basis for this is the procurement of supplier parts and materials in modern technology, with the necessary quality and reliability, with good environmental compatibility, with high delivery reliability, high flexibility and at competitive prices.

#### Social affairs

We are committed to upholding the core labour standards of the ILO (International Labour Organization) complied with. We also demand this from all suppliers and subcontractors of the next upstream production stage. In addition to the ILO core labour standards, the focus is on compliance with the legal regulations in the countries of origin.

#### Code of conduct

According to the guidelines, MERZ employees must avoid situations in which their own giving or receiving gifts create a mutual obligation that goes beyond normal business practice. Family and private relationships must not influence decisions to the detriment of society.

## Sustainable action

We recognise the basic principles of the Global Compact as essential principles of our business activities. Recognising these principles is a prerequisite for us to work with our suppliers. An environmentally friendly manufacturing process is of great importance to us. Aspects such as the promotion of energy-saving processes, the minimization of pollutant emissions and the responsible use of resources also play an important role here. As a regional family business, we pursue the goal of promoting and strengthening suppliers from our surroundings and region. Certification according to ISO 14001 or EMAS is desirable, but not a basic requirement, but must be assessed on a case-by-case basis and depending on the product or manufacturing process.

## Conflict Minerals

The Dodd-Frank Act refers to the sourcing of tin, tantalum, tungsten, columbite, gold and their derivatives (3TG) mined in conflict zones, such as the Democratic Republic of the Congo and adjacent countries. It also aims, among other things, to limit or prevent the trade in substances from these conflict areas in order not to support armed groups in the Democratic Republic of the Congo and neighbouring countries. Although Merz Schaltgeräte GMBH + CO KG is not subject to SEC reporting, we are aware of our social responsibility with regard to the environment, safety, health and human rights and understand that conduct in business transactions has an impact on society and the environment. Merz Schaltgeräte GMBH + CO KG does everything possible to ensure with reasonable care that the minerals in our products are sourced from conflict-free areas. In order to achieve this goal, Merz Schaltgeräte GMBH + CO KG has introduced the following policy for dealing with conflict minerals:

- Merz Schaltgeräte GMBH + CO KG does not purchase any conflict materials directly from mines or smelters.
- Suppliers of Merz Schaltgeräte GMBH + CO KG are requested to provide written documentation of their efforts to prevent the procurement of conflict minerals prior to delivery. This information should be provided to us using the most current version of the Conflict Minerals Reporting Template (CMRT) or a similar format approved by us.
- Suppliers are required to record and maintain all data to ensure the traceability of minerals at all stages of their supply chain on an annual basis.
- If minerals are sourced from a conflict area or an area with a high risk of conflict, special measures are required. MERZ Schaltgeräte GMBH + CO KG calls on its suppliers to have these smelters evaluated by the "RMI Conflict-Free Smelter Program" (CFSP) or to remove them from their list of preferred suppliers.

## Supplier Selection

MERZ Schaltgeräte GMBH + CO KG works together with a long-standing supplier base. In addition to the general company philosophy, we examine the ecological and social conditions in detail with our long-standing suppliers and when taking on a new supplier. In addition to the mandatory signing of our CoC (or the submission of a CoC with the same content), we use a supplier self-disclosure form for this purpose, in which the criteria that are important to us regarding the sustainability strategy of the potential supplier are queried. If these are not compatible with our opinion or if there are unfair business practices, these suppliers will not be approved. The statements of our suppliers regarding our requirements are checked by us on a random basis through supplier audits.

## Objectives of the purchasing department

The purchasing department of MERZ Schaltgeräte GMBH + CO KG contributes to securing and expanding the market position through the procurement of supplier parts/materials and services:

- in modern technology
- in the necessary quality and reliability
- with good environmental compatibility
- with high delivery reliability
- with the flexibility that may be required
- at competitive prices

## Principles of the MERZ Purchasing Policy

The following principles form the basis of our purchasing policy:

- Cooperation with suppliers must be long-term
- The requirements for the supplier are appropriate to the needs and specifications
- The partnership creates mutually beneficial effects
- The supplier is open to technology/manufacturing process improvements
- The supplier base must be able to adapt to changes
- The supplier must have modern means of communication
- The business conduct in the supplier relationship is mutually loyal and fair
- Provided that the above objectives are met, women-owned companies, minority and/or disadvantaged group companies, and companies that promote diversity, equality and inclusion will be given due consideration in the supplier selection process.

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## Supplier Assessment/Approval

### Technology

- Technical level and standard of the products must correspond to each other
- Constant goal to work with the latest manufacturing know-how
- Development of market-defining parts/products
- Experience with international industry standards

### Quality/Reliability

- Pursuit of an end-to-end, integrated quality assurance system
- Continuous improvement of quality and reliability through total commitment to the 0-defect philosophy
- Continuous adherence to standards and MERZ specifications
- Use of measurement and testing methods that ensure the required result
- Consistent disclosure of vulnerabilities as a prerequisite for their elimination

### Dedicated Customer Service/Flexibility

- Strong willingness to cooperate, starting from the company management
- Continuous transfer of know-how (even beyond the start of series production)
- Willingness to deliver to other MERZ suppliers on MERZ terms
- Willingness to supply companies of the PCE Group
- Acceptance of changes in demands
- Flexibility in the supply of parts, especially in the development/start-up phase
- Willingness to set up your own buffer/safety storage
- Flexibility in case of necessary technical changes

### Delivery reliability

- Absolute reliability and unambiguity of statements on delivery times and delivery quantities
- Immediate information in the event of discernible deviations
- Willingness to use a "just-in-time procedure" if necessary and possible
- Flexible in case of schedule and quantity changes

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## Price

- Reasonable value for money
- Competitive prices to be competitive in the global market
- Constant goal to reduce production costs and lower prices with the help of systematic and regular joint cost reduction programs through
  - Active value analysis
  - Proposal of alternative materials or improved manufacturing technologies
  - Willingness to co-design/develop to achieve a "best of class" solution

## Principles of Supplier Evaluation

The assessment must comply with the principle of objectivity. The result is evaluated together with the supplier or supplier applicant. Factors to consider when evaluating:

- mutually comprehensible and acceptable handling
- the evaluation result can be reconstructed
- the basis of the offer is identical or comparable within the scope of the specification
- the result data is confidential
- Different design of evaluation criteria to adapt to specific needs/markets
- the evaluation is carried out at specified intervals, a change of the test criteria is possible

## Approval as a MERZ supplier

Approval as a supplier can be obtained in two different ways:

### 1. B MERZ customers

The necessary tests have already been approved and certified by the MERZ customer.

### 2. B MERZ itself

The necessary approval tests are carried out by MERZ (see below)

The supplier release consists of:

A) Technical Release

B) Commercial/contractual release

C) Supplier Assessment/Auditing

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## To A):

Testing of provided samples of raw materials/parts/assemblies according to the MERZ drawings and test specifications. If necessary, additional tests are carried out at the MERZ customer's site.

## To B):

Examination of contractual cooperation and flexibility, as well as the essential commercial factors, such as prices and delivery time in relation to quality. In addition, the creditworthiness of the potential suppliers is also used for the evaluation.

## To C):

Results from the sum of the assessment factors already explained in point 4.1, the audit, including the consideration of the candidate's economic situation.

## Forms of cooperation

### Dialogue based on partnership

A genuine dialogue based on partnership can only be established if both parties are willing to talk. This is the basis for achieving common goals and successes. The circumstances and contents of such a dialogue are identified as follows:

- Getting to know the responsible department partners and decision-makers in person
- Intensive exchange of information about current projects, such as market and technology trends and know-how
- Explanation of the MERZ procurement strategy and the associated expectations
- Discussion of the MERZ Supplier Evaluation
- Presentations by/for suppliers/manufacturers
- Regular, joint creation and review of target agreements

### Target agreement

Target agreements form the basis of a long-term, partnership-based cooperation. The joint preparation of target agreements is carried out annually or on a project-by-project basis, in particular with the house suppliers. The focus is on the evaluation factors

- Technology
- Quality/Reliability
- Dedicated Customer Service/Flexibility
- Delivery Reliability/Logistics
- Price

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Of course, depending on the requirements, further points can or must be included. Objectively measurable indicators are defined together. A regular, joint "target-actual comparison" allows the current project status to be determined.

## Our contribution

A functioning partnership must be maintained by all partners involved. In its partnerships, MERZ is therefore committed to:

- Long-term partnerships
- technical/economic benefits for both partners
- Support in the optimization of operational processes, such as in production or materials management
- Provision of defined specification
- Fair and loyal business practices
- Wide-ranging demand forecasts
- Fair and transparent contracts/agreements

Gaildorf, 15 January 2024

A handwritten signature in black ink, appearing to read 'S. Glaser'.

Siegfried Glaser  
Geschäftsleitung