

**Work instruction**

# **Code of Conduct for Suppliers**

**KAP-Group**

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# Work instruction I KAP Code of Conduct for Suppliers

## A. Introduction

1. From 1<sup>st</sup> January 2024, the German Supply Chain Act (LkSG) is applicable to KAP and its subsidiaries.
2. Essential guidelines of the LkSG are secured with a supplemented KAP Code of Conduct for Suppliers (see **Annex 1**, hereinafter also “**KAP Supplier Code of Conduct**”) and additional contractual clauses for supplier contracts / Terms and Conditions for Purchase Agreements (see **Annex 2**).
3. The supplementary KAP Supplier Code specifies KAP's principles and requirements for a responsible and sustainable business operation and is made available to all product-related suppliers of the KAP Group for their information and signature. By signing, the supplier commits to act responsibly and to comply with the specified regulations.
4. The additional contractual clauses for supplier contracts (e.g. in the Terms And Conditions for Purchase Agreements) formalize the essential guidelines of the LkSG.
5. KAP has developed this working instruction for the Purchasing Teams and Regional Compliance Managers of KAP Group companies to ensure a uniform approach by dealing with the requirements of the Supply Chain Act.

## B. Distribution of the KAP Supplier Code of Conduct in the supply chain and inclusion of Additional Contractual Clauses in purchasing conditions

1. The Regional Compliance Managers distribute the KAP Supplier Code within their organization (in particular: Purchasing Departments) and ensure that it is sent to all product-related suppliers (e.g. chemical or raw material suppliers) with a request for signature.
2. Furthermore, supplier contracts are complemented by the additional Contractual Clauses based on the Supply Chain Act. The Regional Compliance Managers distribute the contractual clauses in their organization (in particular: Purchasing Departments) with the request to integrate them into the terms and conditions of purchase agreements or into purchase orders/ forms.
3. Deadline: 1<sup>st</sup> January 2024.

### **C. Dealing with suppliers who have not yet signed the KAP Supplier Code of Conduct**

1. The supplier who has not yet signed the KAP Supplier Code will be reminded / alerted in writing by the purchasing departments of respective units at regular basis (e.g. once a month).
2. Deadline: An internal deadline of a maximum of one year is foreseen (until 31<sup>st</sup> December 2024). This deadline is not communicated to suppliers.

### **D. Dealing with suppliers who refer to their own Code of Conduct or equivalent protection**

1. **The supplier is subject to the Supply Chain Act or pretends to establish comparable protection and thus justifies that it does not have to sign KAP Code of Conduct:**
  - i. If the purchasing department determines (by reviewing the supplier's code of conduct, its own research or direct inquiry with the supplier) that the supplier is within the scope of the Supply Chain Act and must also meet identical requirements and has set up systems (e.g. an updated own code of conduct, whistleblower system, etc.), mutual recognition of the relevant documents (e.g. KAP Group company commits to values and rights from the code of conduct (of the supplier) and the supplier to our KAP Supplier Code of Conduct) may be considered.
  - ii. This agreement or mutual recognition shall be documented by the KAP subsidiary company (e-mail is sufficient).
2. **If the supplier is not subject to the Supply Chain Act and/or does not provide any other equivalent protection:**
  - i. If the purchasing department determines (by reviewing the supplier's Code of Conduct, its own research or direct inquiry with the supplier) that the supplier is not within the scope of the Supply Chain Act and/or does not otherwise provide equivalent protection, a review process is set up (with the inclusion of the KAP Compliance Function) to analyze the extent to which the contents of the KAP Supplier Code of Conduct and the compliance regulations of the respective supplier diverge from one another.
  - ii. If essential values (under consideration of the Supply Chain Act) do not match, the supplier will be requested again to sign the KAP Supplier Code of Conduct with reference to the Supply Chain Act (see above for the alert process).

- iii. If the essential values (under consideration of the Supply Chain Act) predominantly match, mutual recognition of the values and obligations and/or relevant documents will be agreed.
- iv. This agreement or mutual recognition shall be documented by the KAP Group subsidiary company (e-mail is sufficient).

## **E. Dealing with suppliers who refuse to sign the KAP Supplier Code of Conduct/ disagree to mutually recognize the relevant documents**

### **1. Supplier does not agree with specific points of the KAP Supplier Code of Conduct:**

- i. If the supplier does not agree with specific points (e.g. the audit right of the KAP Group company), the purchasing department (with the involvement of the KAP Compliance Function) will start a constructive negotiation process on the points objected by the supplier.
- ii. In close cooperation with the KAP Compliance Function, the objected points are evaluated on a case-by-case basis and a decision is made as to whether and to what extent a deviation from the KAP Supplier Code of Conduct is permissible and acceptable. The possible solutions developed (elimination of misunderstandings, adjustments to text passages, removal of text passages, etc.) are worked out and are to be brought to a solution in discussion with the supplier's contact persons, at the end of which the adapted KAP Supplier Code of Conduct is to be signed (hereinafter: "negotiated solution").

### **2. Failure of the Negotiated Solution:**

- i. If a negotiated solution fails, the case should be "escalated" (other contact person, e.g. Purchasing Manager or Managing Director of the supplier).
- ii. If the escalation does not proceed, the supplier should be warned with termination of the cooperation.
- iii. If this warning remains unsuccessful, the supplier should be blocked, or the cooperation terminated after consultation with the Management of the relevant unit.

#### **Annex 1: KAP AG Code of Conduct for Suppliers**

#### **Annex 2: Additional contractual clauses for supplier contracts in connection with the Supply Chain Act**

**KAP AG**