



Koehler GROUP



**PROCUREMENT POLICY FOR
SUPPLIERS**

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1) Objective

As a company with a global reach, we can promote sustainable development along our entire value chain together with all stakeholders. Our suppliers share our high standards in relation to environmental, social, and ethical principles. Moreover, we are continuously improving the transparency of our supply chain.

Maximally effective and efficient procurement contributes crucial added value to the company's success and competitiveness.

Along these lines, taking full advantage of the potential for value creation that procurement offers requires extensive and positive coordination between Central Plant Engineering (CPE), Supply Chain Management (SCM), and Koehler Renewable Energy GmbH (KRE) and the various relevant departments.

Accordingly, this procurement policy was written and agreed upon by the aforementioned business units together with the Legal Department and the executive board.

This policy is the central document for collaboration within the context of procurement and defines all processes and procedures within the Koehler Group that are intended for the procurement of raw materials, materials, and services.

This policy will be the basis for all buying activities and is accordingly intended to ensure that the whole company's procurement goals will be met while conforming to ethical standards.

2) Scope of application

This procurement policy applies to the Koehler Group and all its subsidiaries and affiliated enterprises.

The CPE, SCM, and KRE business units are accordingly responsible for all procurement operations within the Koehler Group.

The following are exempt from this policy:

- The company's own cafeteria
- The Human Resources Management Department (HRM) when it comes to personnel and/or employee procurement measures / activities
- Woodhouse Group
- Koehler Renewable Energy UK Ltd.
- KB Renewables GmbH

Ownership / contact people

The following parties are responsible for updating and communicating this procurement policy, as well as for ensuring that it is up to date and complied with:

- Corporate Director of Central Plant Engineering
- Corporate Director of Energy Supply Management
- Corporate Director of Supply Chain Management
- Corporate Director of Wood Supply Management

3) Basic principles and competencies

The most important objective of a procurement department is to provide all the raw materials, materials, and services required for the manufacture of the company's own products:

- With the required quality
- On the required date and time
- In the required quantity
- At the right place
- With maximum delivery reliability
- With maximum flexibility
- At the lowest cost

A crucial factor within this context is avoiding any and all risk to the Koehler Group to the greatest extent possible.

The three business units responsible for procurement activities within the Koehler Group – CPE, SCM, and KRE – ensure that the aforementioned objective will be met to the greatest extent possible.

Commitment to a high-quality service philosophy, as well as a long partnership, is clearly of utmost importance within this context. Moreover, contracts will be awarded to suppliers only after previous consultation between CPE, SCM, and KRE and the relevant departments so as to prevent any instances of¹maverick buying².

Koehler generally follows the two-person rule. In this specific context, this means that the requisitioner / buyer and the recipient of the goods / service are not allowed to be the same person. However, different rules are possible in the case of material

¹ Maverick buying: "Maverick buying," also referred to as "rogue spend," is a term from procurement management. While there is no uniform definition for it, it is generally used to refer to instances in which departments buy materials or services without authorization and without consulting the respective procurement department. In other words, maverick buying refers to "procurement outside standardized procurement channels and policies."

planning processes for direct materials. Different rules can be approved by the corporate director of the respective business unit for specific material groups and material planning processes, such as those involving the web shop.

- **CPE:**

The work done by CPE includes planning, project planning, and the procurement of technical systems / system components, project components, spare parts, and services (maintenance, servicing, repairs).

- **SCM:**

Supply Chain Management (SCM) handles the procurement of all materials required for daily operations. This includes both direct materials such as raw materials, chemicals, and pulp and indirect materials such as office supplies, laboratory equipment and supplies, work clothes, and consumables. In addition, it covers the organization and procurement of logistics-related services.

- **KRE ESM:**

Energy Supply Management (ESM) is in charge of procuring energy (electricity / gas / Guarantees of Origin) and carbon allowances.

- **KRE WSM:**

Wood Supply Management (WSM) is in charge of procuring biomass fuels cost-effectively and in the amounts required to meet demand.

4) **Criteria for selecting suppliers**

The Koehler Group is very selective when choosing suppliers and follows a specific set of criteria that must be met without exception. As soon as one of these criteria are not met or cannot be met, the corresponding supplier for the Koehler Group will be disqualified as a business partner.

The following three criteria must be met:

- **Quality / reliability:**

High quality in delivered goods and services and supplier reliability are vital for the Koehler Group in order to be able to maintain its own ongoing business operations and guarantee that it can deliver on its quality promises. Suppliers are responsible for sustainably and effectively ensuring quality.

- **Commercial terms and conditions:**

Business terms and conditions such as price, delivery, and payment terms, as well as measures that ensure the greatest possible cost-

effectiveness and sustainability, play a crucial role in ensuring a successful and lasting business relationship. A continuous improvement process is one of the essential tasks that suppliers must perform.

- Compliance with ESG (environmental, social, governance) issues
 - Environmental:
 - **Sustainable material procurement:** Preferring environmentally friendly, recyclable, or biodegradable materials
 - **Carbon monitoring:** Considering carbon footprints when it comes to transportation and production
 - **Energy efficiency:** Furthering energy-efficient production processes and supply chains
 - **Waste management:** Reducing waste with circular economy practices and recycling
 - **Water management:** Preventing water waste and conserving and protecting water resources
 - Social:
 - **Working conditions:** Ensuring fair wages, working hours, and working conditions
 - **Human rights:** Prohibiting child labor and forced labor, as well as discrimination
 - **Occupational health and safety:** Adhering to safety standards at the workplace
 - **Diversity & inclusion:** Promoting diversity in the workforce and within suppliers
 - **Social responsibility:** Supporting local communities and projects
 - Governance:
 - **Ethical business practices**
 - Zero-tolerance policy regarding corruption, bribery, and fraud
 - Transparent business relationships with all suppliers
 - **Implementation of legal requirements** (examples: German Supply Chain Act, CSDDD)
 - **Supplier management and compliance**
 - **Code of conduct for suppliers**
 - Obligating suppliers to conform to ESG standards
 - Defining ethical business practices (prohibition of corruption, fair working conditions)
 - **EUDR compliance**
 - Preferring suppliers with accepted certifications (e.g., ISO 14001)

Any entity that is interested in becoming or is already a supplier for the Koehler Group must be ready to build and constantly maintain and develop the required type of partnership by continuously working with the Koehler Group.

5) Contact

If you have any questions, doubts, or concerns, you can contact us at:

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6) Glossary

CPE	Central Plant Engineering
CSR	Corporate social responsibility
ESG	Environmental, social, governance
ESM	Energy Supply Management
HRM	Human Resources Management (HR department)
ICE	Instrumentation and control engineering
IKP	Internal Koehler Portal
KMS	Koehler Management System
KRE	Koehler Renewable Energy GmbH
MM	Materials management
PO	Purchase order
PR	Purchase requisition
SCM	Supply Chain Management
VMI	Vendor managed inventory
WSM	Wood Supply Management