

KOSTAL

KOSTAL Guideline for the responsible Procurement of Raw Materials



Technological developments are leading to a worldwide increase in demand for valuable and rare raw materials.

In politically unstable areas, the extraction of minerals is often controlled by armed groups. Mining often involves the use of forced labor and the proceeds are used to finance violent conflicts. In particular, the materials gold, tin, tungsten, cobalt and tantalum often come from conflict countries which directly or indirectly finance or favor armed groups (e.g. in the Democratic Republic of Congo or neighboring states such as the Central African Republic, Sudan, Rwanda, Burundi, Tanzania or Zambia). Industries that use minerals mined in conflict regions have a particular responsibility to demonstrate where the minerals they process come from.

In 2010, the U.S. Congress passed legislation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502, which requires companies subject to SEC (U.S. Securities and Exchange Commission) oversight to file a report on the extent to which the products they produce or contract to produce contain so-called "conflict minerals" that are "necessary to the functionality or production" of those products.

The companies of the KOSTAL Group are not listed on the US stock exchanges and are therefore not subject to the reporting obligation to the US authorities. However, assuming social responsibility and meeting high ethical standards is a matter of course for KOSTAL as a family-owned company with over 100 years of tradition.

The regulation ((EU) 2017/821) enacted by the European Parliament at the beginning of 2017 also aims to prevent the financing of conflicts and human rights violations through the mineral trade. The law requires all direct EU commodity importers to conduct due diligence on their supply chains.

Similar requirements are formulated by the government of the People's Republic of China.

KOSTAL takes into account the legal requirements as amended from time to time and the customer requirements by following the due diligence obligations in the supply chain in accordance with the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas".

We expect our suppliers to have the same understanding of the protection of human rights and therefore the same due diligence for their supply chain and to prove that they source or process only conflict-free raw materials. In our supplier questionnaire, we refer to the conflict-free procurement of raw materials, evaluate this and derive measures for continuous improvement.

We ask our suppliers to ensure that the minerals they use only come from traceable and certified sources. In particular, minerals must not be sourced from high-risk smelters identified by name.

Furthermore, our suppliers are required to always check their sources of supply against the regularly updated list of Conflict and High Risk Areas (CAHRAs). This list is intended to guide and facilitate the detection of conflict and high-risk areas, in accordance with Article 14 (2) of the EU Regulation (2017/821).



Acting in accordance with this guideline is also integrated into our Supplier Code of Conduct to ensure sustainable procurement.

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