

# **KCI Sustainable Supply Chain Management Policy**



## **1. Purpose**

Upholding its ethics management principle “With fair transaction culture set in place, KCI pursues mutual growth with its partners,” KCI aims to build a long-term partnership with partner companies, encourages its partners to increase their awareness of ESG management and to secure necessary management skills for a sustainable mutual growth. In addition, KCI seeks to source sustainable raw materials as part of its procurement policies to fulfill its social responsibility across the entire supply chain.

## **2. Supply Chain ESG Management Guidelines**

KCI adheres to the following principles for sustainable supply chain management.

### **(1) Compliance to Supplier Code of Conduct (CoC)**

KCI recognizes its environmental, social and financial responsibility arising from its procurement activities, and its transaction should be with suppliers in compliance with KCI’s Supplier CoC in principle.

- 1) Supplier Code of Conduct is made up with 5 areas – human rights management, safety & health management, environment management, ethics management, and management system – and is applied to all partners who supply products and services to KCI.
- 2) KCI confirms suppliers’ consent to Supplier CoC compliance when registering new suppliers along with existing suppliers.
- 3) To read the full text of Supplier CoC, visit KCI webpage (<https://www.kciltld.com/kr/esg/report>).

### **(2) Supplier ESG Risk Management Process**

KCI strives to prevent and mitigate suppliers’ ESG risks arising from procurement activities. In accordance with the Supplier ESG Risk Management Process, the Company monitors such risks and lends support for improvement.

- 1) KCI requests compliance with Supplier Code of Conduct (CoC) for all suppliers while conducting ESG Risk Document Review over its key suppliers.
- 2) Questionnaires in KCI ESG Risk document Review are based on Supplier CoC, and KCI conducts the Document Review once a year.
- 3) KCI performs site audits led by external experts against suppliers with high ESG risk level identified from the Document Review.
- 4) KCI requests improvements on identified ESG risks and monitors the progress. In addition, KCI provides vigorous support for suppliers to make improvements.

### **3. Sustainable Raw Material Sourcing Guidelines**

KCI sets Directive for Sustainable Raw Material Sourcing centered on key raw materials, and adheres to the following principles.

#### **(1) Fats and Oils (Palm Oil)**

- 1) KCI understands the fact that sustainable approach to produce palm oil from the land and supply the oil may impact the environment, climate change and biodiversity.
- 2) KCI is a member RSPO (Roundtable on Sustainable Palm Oil) to resolve environmental devastation of palm oil production regions and human rights issues for a sustainable access to palm oil sourcing, and purchases palm oil produced in accordance with legitimate procedure. KCI also obtained RSPO Supply Chain certificate to purchase certified palm oil (Mass Balance grade).

#### **(2) Hazardous Chemical Substances**

- 1) In accordance with the international standard and customer's product hazardous substances control policy, KCI controls to prevent using restricted substances during the production process. KCI establishes and runs integrated control system to ensure the part and packaging it purchases does not contain restricted substances.
- 2) KCI adheres to the Restriction of Hazardous Substances in Electrical and Electronic Equipment (EU RoHS Directive) and EU REACH for its product procurement and production R&D. To this end, KCI prohibits the use of cadmium (Cd), lead (Pb), mercury (Hg), hexavalent chromium (Cr6+), brominated flame retardant (PBB, PBDE) and SVHC (Substances of Very High Concern).

#### **(3) Conflict Minerals**

- 1) KCI recognizes severe labor rights issues arising from the production of conflicted minerals (tin, tantalum, tungsten and gold) that come from 10 African countries with conflicts (Democratic Republic of Congo, Sudan, Rwanda, Burundi, Uganda, Congo Republic, Zambia, Angola, Tanzania, Central Africa Republic.)
- 2) KCI goes beyond not using and purchasing those conflict minerals, providing supports to its suppliers to recognize the problems of conflict minerals, monitor their control status, and strengthen their control measures.

#### **(4) Deforestation**

- 1) KCI should purchase deforestation- and forest clearing-free products, and such zero deforestation efforts include no development of areas classified as HCV (High Conservation Value) and HCS (High Carbon Stock).

- 2) KCI will adhere to RSPO (Roundtable on Sustainable Palm Oil) or equivalent certificate standard and all applicable local laws. Also, KCI promises its efforts to deliver Zero Deforestation Policy and to preserve biodiversity including the forest by identifying, protecting and preserving regions with high conservation value.

**(5) Peatland**

- 1) Peatlands are collectively a major carbon store, a key to preserving biodiversity. KCI prohibits new development of peatlands regardless of depth and strives to minimize destruction of and damage to peatlands.
- 2) KCI takes appropriate environmental protection measures when sourcing raw materials from peatlands, and partners with experts and navigate ways to preserve peatlands such as finding eco-friendly alternatives or peatland restoration.

## **4. Ethical Procurement Guidelines**

KCI adheres to the following principles to build a sustainable supply chain ecosystem via ethical and fair procurement.

**(1) Prohibition of Gifts and Gratuities from Stakeholders**

KCI strictly prohibits its procurement personnels accepting gifts and gratuities from stakeholders. Such gifts and/or gratuities should be cordially declined or returned when received inevitably.

**(2) Prohibition of Unfair Shareholding in Stakeholders**

KCI prohibits its procurement personnels obtaining unlisted shares of suppliers with interest or using unfair information to obtain listed shares of suppliers.

**(3) Fairness and Transparency in Supplier Selection**

KCI selects most competitive suppliers based on the “fairness and transparency” principle. When supply term limits or adjustments are necessary, KCI provides clear and reasonable reasons and proceed the process in a transparent manner.

**(4) Prohibition of Illegal/Unfair Use of Company Asset**

In/tangible assets, classified information, etc. in possession of KIC are important asset of the Company, and their use is limited to business and approved purposes. All KCI employees are responsible for preparation efforts against asset loss, misuse and theft. In particular, company expenses are company funds, which should be used for due purpose following appropriate procedures.

**(5) Prohibition of Document/Calculation and False Report**

KCI strictly prohibits falsely producing any documents or manipulating/counterfeiting calculations both knowingly and inadvertently.

**(6) Prohibition of Unfair Information Collection**

KCI collects all business-related information including competitor information, intellectual properties, supplier's classified information in a fair way that does not legally/ethically violate regulations. KCI prohibits unfair collection of information such as collecting leaked data without the consent of owner.

**5. Addendum**

(1) This Sustainable Supply Chain Management Policy was established and took into effect as of May 3, 2024.

**[Appendix. Summary of Document]**

Category	Description
Initial Draft Date	May 3, 2024
Latest Revision Date	May 3, 2024
Owner	Procurement Team, KCI
Approver	ESG Committee, KCI Board of Directors
Description of Draft/Revision	Establishment of KCI Sustainable Supply Chain Management Policy
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