

**A special thank you to Michael Schmidt, Chief Procurement Officer of Jokey Group, for his inspiring answers to my questions!**

**1. When the German Supply Chain Due Diligence Act (LkSG) came into force, what were the first steps your procurement department took to prepare for the new challenges?**

Sustainability is deeply embedded in Jokey's corporate philosophy. As a medium-sized family business, we have been producing recycled plastic packaging for our customers since the 1990s. The first recycled plastic bucket was developed together with Henkel in 1991. As a company, we have always understood the need to balance ecology, economy and social responsibility – demonstrated by the Jokey Eco Concept and our transformative partnership with WWF Germany. Thus, the adoption of the LkSG in 2021 was not a starting point for me and my colleagues in Jokey's procurement department but rather another building block that needed to be integrated into our processes.

Since no official guidelines were initially available to clarify the legal text, it was unclear how the requirements would be implemented within procurement. In 2021, we conducted an initial screening of key suppliers regarding LkSG-related issues and explored various risk analysis tools. Through this process, we realized not only that our suppliers' awareness of sustainability varied significantly, but also that our own knowledge on sustainability topics needed further development.

**2. What do you see as the biggest challenges of the LkSG?**

As a medium-sized company, we quickly recognized that expensive IT tools or consulting services were not a feasible solution for complying with the law. The successive publications of BAFA's (Federal Office for Economic Affairs and Export Control) guidance documents on the LkSG were very helpful in shaping an efficient approach – always with the goal of involving our procurement colleagues in the process. However, the biggest challenges in implementation remain supply chain transparency and ensuring compliance with due diligence obligations for both direct and indirect suppliers.

Under the LkSG, companies are granted a significant degree of discretion in implementing their due diligence obligations, particularly in selecting and designing measures and allocating resources. This is where our discussions with you, Ms. Fröhlich, and Mr. Hendricks began. It was always inspiring to sit together – four or five of us at the table – searching for a pragmatic and appropriate approach. As a team at Jokey, we have always enjoyed this collaborative effort.

### **3. What does Jokey's Supplier Risk Assessment look like today, and what initial experiences have you had with it?**

At the core of our approach is dialogue and continuous engagement with our supply partners. In 2022, we developed the Jokey Supplier Risk Assessment (JSRA), a process we have now been using with our suppliers for two years. This dialogue – conducted fairly and on equal terms – also serves as a valuable hands-on training experience for both parties in implementing the LkSG. Based on a supplier-specific risk analysis, which includes country- and product-category-based risk assessments, we engage in discussions with Red-Flag Suppliers to address open issues and define necessary measures.

What surprised us most in the first year of applying JSRA was the openness and genuine interest of our suppliers in these discussions. We had truly insightful interviews with both national and international partners. Additionally, by leveraging AI solutions, we were able to compile specific supplier information with an unprecedented level of detail and quality – sometimes even revealing new insights for the suppliers themselves.

### **4. What are your next steps, particularly in ensuring compliance with CSRD reporting obligations?**

Jokey is also subject to the expanded reporting obligations of the Corporate Sustainability Reporting Directive (CSRD), which introduces a new understanding of materiality. However, for Jokey's procurement team, implementing this reporting framework is no longer a fundamental challenge. Thanks to the measures we have already put in place – such as the Jokey Supplier Risk Assessment, the revised Jokey Supplier Ethical Code and our Procurement Policy – we are well positioned to meet the CSRD requirements efficiently and effectively.