

# **BUSINESS PARTNER DUE DILIGENCE POLICY OF IDT BIOLOGIKA GMBH**

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## **1 – PURPOSE**

The risk-based business partner analysis of future and existing business partners (“Business Partner Due Diligence”) is one component of the Compliance Management System of IDT Biologika (hereinafter referred to as IDT). The due diligence is performed on the background that companies can be held responsible for legal violations of their business partners under various legal provisions (UK Bribery Act 2010, US Foreign Corrupt Practices Act, § 30 German Act on Regulatory Offences etc.), and IDT wants to avoid resulting legal and reputational risks. A further objective of such a review is to avert damage to IDT arising from contracts with encumbered business partners, e.g. due to the fact that they have an increased risk of insolvency.

Business partner due diligence is a procedure for obtaining background information about a business partner from various information sources (e.g. information provided by the business partners themselves, databases, publicly available information).

## **2 – SCOPE**

Business Partner Due Diligence is performed for all future or existing business partners with whom one of the following agreements is or has been concluded or is to be extended or renewed. This also applies to offer-based agreements that are concluded via an SAP purchase order and order confirmation.

- a. All agreements based on which third parties provide services and deliveries for IDT if the following criteria are met:

Transparency International's current Corruption Perceptions Index (CPI) (*available at <https://www.transparency.org/en/cpi/2021/index/nzl>*) for the country where the business partner is based and the contract value (annual turnover) meet the following criteria:

CPI in the country of the business partner and annual turnover

- Rank 1 to 25 in the ranking of countries (e.g. Germany, UK) >= EUR 1,000,000 (one million)
- Rank 26 to 125 in the ranking of countries (e.g. USA, China) >= EUR 500,000 (five hundred thousand)
- Rank 126 to the end of the ranking list of countries (e.g. Russia, Iran) >= EUR 250,000 (two hundred and fifty thousand)

- b. The following high-risk contracts (regardless of the country where the business partner is based and the annual turnover):
- Contracts with consultants and intermediaries
  - Cooperation contracts (especially with competitors)
  - Contracts with state-owned companies or companies in which the state holds a majority stake
  - Contracts with universities
  - Contracts with potential new joint venture partners
- c. All agreements if the following criteria are met:  
The responsible initiator, i.e. the IDT employee who wishes to conclude, extend or renew a contract with a business partner, has knowledge of current and/or past criminal convictions, in particular for economic crimes, of the business partner, the business partner's directors and/or the business partner's shareholders.

## **3 – PROCEDURE**

### **3.1 – RESPONSIBILITIES**

The initiator is responsible for conducting the risk assessment. Based on the results of the risk assessment, the Compliance Officer shall arrange for a due diligence review to be conducted.

### **3.2 – PROCESS FLOW (TWO-STEP SYSTEM)**

The due diligence review of business partners should be carried out at the earliest possible point in time. In the case of purchasing processes, this is the point in time before supplier qualification, and in the case of other departments, the point in time before an indicative offer is sent to the customer (indication, proposal). In any case, the due diligence review must be performed at the latest before signing the contract with the business partner.

The review is carried out in two steps:

#### **STEP 1: RISK ASSESSMENT CHECKLIST**

If a business relationship with a new business partner is being considered, the initiator must complete the so-called “Risk Assessment Checklist” for each business partner. The questions on this checklist are to be answered with “Yes” or “No” or with a short explanation to verify the potential risks.

If all questions of the checklist are answered with “No”, the relationship with the business partner can be classified as

having a “low risk potential”. No business partner due diligence is required in this case and the initiator can proceed with the business partner negotiations.

If at least one of the questions in the checklist is answered with “Yes”, the relationship with the business partner must be classified as “potential risk” and the completed checklist, including the associated documentation, must be forwarded to the Compliance Officer so that the subsequent business partner due diligence can be carried out.

#### **STEP 2: BUSINESS PARTNER DUE DILIGENCE**

This review focuses on obtaining information on the business partner and evaluating the information collected. It is carried out by the Compliance Officer on the basis of the Risk Assessment Checklist and by using a compliance database. The objective of this database is to find out whether there is any critical information (“red flags”) about the company or the members in the management board of the business partner.

The Compliance database enables business partner screening for money laundering, sanctions, terrorist financing, bribery and corruption and financial crime, and provides detailed monitoring of politically exposed persons (PEP) relationships and networks. Information gathered during this process is cross-checked against sanctions lists, law enforcement watch lists, and politically exposed persons (PEP) lists.

The Business Partner Due Diligence serves in particular to avoid the following risks for IDT:

- Financial loss due to termination of the contract and assertion of claims for damages by the business partner
- Withdrawal of manufacturing authorization
- Fines according to German Act on Regulatory Offences
- Reputational damage due to negative press

If the Compliance Officer concludes during the business partner due diligence that there is no critical information (“red flags”) about the business partner, the result must be forwarded to the initiator and the negotiation process can be continued.

If, however, the Compliance Officer comes to the conclusion that there is relevant critical information (“red flags”) about the business partner and thus a “substantial risk” exists, the result and the reasons for the result must be communicated to the initiator.

In this case, the initiator’s supervisor may decide whether to reject the business partner or bring the matter to the attention of IDT management. If risk mitigating measures, such as certain contract provisions, are not enforceable, the IDT management is then responsible for the final decision on whether to enter into a contract with that business partner. If the IDT management decides that a contract should be concluded with this business partner despite the identified risk, the initiator may proceed with the applicable business partner process. Each decision made by the IDT management shall be documented and justified in writing.

#### **3.3 - DOCUMENTATION**

All documents shall be filed in IDT’s Contract Management System at the direction of the Compliance Officer.

#### **3.4 - ONGOING SCREEING**

During the term of the business contract, a new business partner due diligence must generally be initiated by the responsible initiator and performed by the Compliance Officer if

- (a) a new agreement is to be concluded, or
- (b) the respective current agreement is to be extended or renewed, or
- (c) the result of the Business Partner Due Diligence already performed was a “substantial risk”. In this case, a new Business Partner Due Diligence shall be performed (aa) annually as well as (bb) if the Initiator has in the meantime gained knowledge of current and/or past convictions for economic crimes of the business partner.