

Policy statement



Foreword by the Executive Board of the LÄPPLE Group

As a globally active company, we are aware of our responsibility to respect human rights and comply with our human rights and environmental due diligence obligations. These principles form the basis for our business activities along our supply and value chain – both in Germany and in all other countries in which we operate. In order to live up to this responsibility and achieve our goals, we have created this policy statement, which in particular complements our Code of Conduct and our Supplier Code. Our Code of Conduct serves as the basis for all guidelines and regulations that ensure responsible and ethically correct action within the company.

LÄPPLE¹ has set itself the goal of responsibly fulfilling human rights and environmental due diligence obligations and respecting the rights of the persons concerned. This includes the prevention or minimization of human rights and environmental risks as well as the prevention, termination or redress of violations of these obligations.

In line with our corporate values, the successful development of our company is of great importance to us. The principles of our mission statement – success orientation (brand value: reliability), innovation (brand value: proximity) and sense of responsibility (brand value: competence) – shape our corporate culture and form the basis for our behaviour towards society, our partners and within our team.

¹ "LÄPPLE" or "LÄPPLE Group" means LÄPPLE AG and all companies in which LÄPPLE AG directly or indirectly holds a majority interest.

Our aim is to ensure that compliance with the LkSG and the human and environmental rights mentioned therein and in this policy statement, as well as occupational health and safety, is complied with in all our Group companies and is also respected by our partners and suppliers. We believe that social responsibility is critical to the long-term success of our company. Each of us is called upon to put into practice the standards of this Declaration of Principles, which is part of our human rights strategy. Therefore, we also expect our suppliers and other business partners to treat people and the environment with respect, which forms the basis for a trusting and sustainable cooperation.



Stephan Itter
Spokesman of the Board
of Management (CEO)
LÄPPLE AG



Veronika Zelger
Chief Financial Officer
(CFO)
LÄPPLE AG





Policy statement

to comply human rights and environmental Due diligence obligations in of the LÄPPLE Group.

Section 6 (2) of the Act on Corporate Due Diligence in Supply Chains of 16 July 2021 (Supply Chain Due Diligence Act – LkSG)

Content

1. Our commitment to respect for human rights	6
2. Priority human rights issues and potentially affected groups of people.....	7
3. Our approach to human rights and environmental due diligence	8
3.1 Responsibilities.....	8
3.2. Risk analysis	11
a) Aim and scope of our risk analysis	11
b) Methodology and regularity.....	12
c) Results and measures	13
3.3. Preventive measures.....	14
3.4. Remedies.....	16
3.5. Grievance mechanism	17
4. Our responsibility and expectations of employees	18
5. Reporting and documentation	19

For reasons of better readability and without any intention of discrimination, only the masculine form is used in the text.
This means that all genders are included.

Photos were retouched using AI.

1. Our commitment to respect for human rights

LÄPPLE is committed to its corporate responsibility to respect human and environmental rights.

We comply with all applicable laws, regulations and standards in the countries in which we operate or are based, and expect our business partners, especially our suppliers, to do the same.

In different regions of the world, we face potential challenges such as war, violent conflict, crime, civil unrest, social tensions, extreme poverty or cultural practices that are contrary to human rights standards. We do not tolerate corruption in any form and are committed to fair business practices.

LÄPPLE is guided by internationally recognised standards and guidelines to anchor human rights and environmental obligations in our business and in global supply chains, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, ILO conventions, the principles of the Global Compact as well as relevant UN conventions and OECD Guidelines.

2. Priority human rights issues and potentially affected groups of people

The following human rights and environmental risks have been assessed as a priority, both in our own business and in our supply chain:

- Prohibition of child labour
- Prohibition of forced labour and all forms of slavery
- Compliance with occupational health and safety
- Protection of personal rights
- Strengthening freedom of association, freedom of association and the right to collective bargaining
- Prohibition of discrimination
- Payment of reasonable wages
- Prohibition of the destruction of natural resources by environmental pollution

- Prohibition of eviction
- Prohibition of the violation of human rights through the use of security forces
- Minamata Convention on Mercury (Compounds)
- Stockholm Convention on Persistent Organic Pollutants (POPs Convention)²
- Basel Convention on the Export of Hazardous³ Wastes⁴

² Minamata Convention of 10 October 2013 on Mercury,
³ Stockholm Convention of 23 May 2001 on Persistent Organic Pollutants (POPs Convention) and
⁴ Basel Convention on the Transboundary Movement and Disposal of Hazardous Wastes (22 March 1989).

3. Our approach to human rights and environmental due diligence

3.1 Responsibilities

At LÄPPLE, we have defined clear responsibilities for the performance and compliance with our human rights and environmental due diligence obligations.

The entire Executive Board is responsible for safeguarding human rights both in its own business area and along the entire value chain. The company's management is called upon to provide the necessary resources and promote a corporate culture that focuses on respect for human rights and environmental standards. Management functions were assigned duties to control and maintain protection standards in their area of responsibility.

We have appointed a Human Rights Commissioner who will coordinate all measures to comply with the law. This person is the contact person for all questions relating to the topic and regularly reports to the extended board of directors on progress and challenges.

All departments, especially Purchasing, Human Resources and Compliance, work closely with the Human Rights Officer and have specific tasks within the framework of the LkSG. For example, purchasing is responsible for auditing suppliers and ensuring that they meet our standards. The Human Resources

Department works with the Human Rights Commissioner to develop training content and awareness-raising strategies for employees.

To successfully implement and further develop our human rights strategy, we have established a central working group that meets regularly. This group consists of the Human Rights Officer and representatives of the Purchasing and Compliance departments. Its main goal is the exchange between the specialist departments that are responsible for or affected by human rights and environmental law issues.

Our compliance management also provides support with regard to general compliance issues related to sustainability, human rights and labour standards. It is responsible for complaint management and the whistleblower system to ensure the implementation of our strategy in the company.

Our suppliers also have an important responsibility. They are required to comply with the standards we set and to inform us regularly of their own due diligence obligations.

The entire Supervisory Board is informed by the Executive Board at regular meetings on sustainability issues, including human rights and labor standards.

To ensure that all responsibilities are met, we have implemented a monitoring and reporting system. Regular audits and risk analyses help us to identify potential risks at an early stage and take appropriate measures. Through these clear responsibilities, we ensure that we meet our obligations under the LkSG and actively contribute to improving human rights and environmental standards in our supply chain.



3.2. Risk analysis

As part of our obligations under the Supply Chain Due Diligence Act, we regularly conduct an appropriate risk analysis to identify, assess and prevent potential human rights and environmental risks and actual negative impacts throughout our supply chain.

In particular, we focus on the following groups of people whose human rights could potentially be affected by our business activities in the global supply chain:

- Own employees, including all employees of group companies over which LÄPPLE exercises decisive influence
- External parties, such as external companies and service providers at our locations
- Employees of our suppliers

a) Aim and scope of our risk analysis

Our goal is to establish transparent, appropriate and effective risk management⁵ to identify, prevent, minimise or end human rights or environmental risks or violations. We are striving to build such a system for our supply chains. In the 2024 financial year, we want to implement the legal requirements on time, which is challenging due to the complexity of our supply and value chains. We will continuously review and improve our risk management.

In the following, we describe how LÄPPLE fulfils its obligations and which priority human rights and environmental risks have been identified on the basis of the risk analysis, with reference to the conventions mentioned in the LkSG.

⁵ By risk management, we mean the risk management system for compliance with human rights and environmental due diligence obligations.

b) Methodology and regularity

Our risk analysis is based on a systematic assessment that combines qualitative and quantitative methods. It is divided into two stages and begins with an abstract risk analysis that focuses on defined risk areas. For our own business area and our direct suppliers, we assign specific country and industry assignments to each risk area. To create abstract risk profiles for countries and industries, we use publicly available country- and industry-specific information and indices.

Our supply chain risk management process is supported by AI-based software and self-assessment queries to refine the risk assessment. The risk rating in our software, referred to as "Action Priority", takes into account factors such as country and industry risk as well as impact. Impact is calculated as the ratio of purchasing volume to supplier's revenue, with revenue determined from publicly available sources. An impact of 7% is classified as "high" and an impact of 20% as "critical".

This information helps us assess the legal adequacy criteria, the severity of the impacts, the likelihood of them occurring, and our ability to influence the value chain.

If there are indications of risks or violations of human rights-related or environmental obligations by indirect suppliers (Action Priority: high), we carry out a detailed risk analysis, which is referred to as a concrete risk analysis. The aim is to precisely identify risks to human and environmental rights in our business area and in the supply chain. This analysis includes, for example, the "screening" of the supplier, in which all suspicious reports about the supplier from the last five years are checked. This creates the so-called alert score. If the alert score is positive, the supplier can fall out of the risk assessment because there is no longer any risk.

We use a risk-based approach and use questionnaires and recognised sustainability assessments to identify missing risk mitigation measures and initiate appropriate prevention measures.

The identification, assessment and prioritization of risks are carried out transparently and comprehensibly using a uniform methodology. A "risk matrix" (heatmap scale) represents the severity of the injuries by comparing the impact and the 360-degree risk score. The 360° Risk Score is made up of the Alert Score and the Peer Score (Country Risk, Industry Risk, Commodity Risk).

In addition to regular risk analysis, we carry out event-related analyses if there are substantiated indications of violations or if the risk situation, including in the case of indirect suppliers, changes or expands. Such an analysis is also necessary if we have to expect a significantly changed or expanded risk situation due to the introduction of new products or the entry into new markets.

We aim to continuously improve our approach to risk analysis by continuously expanding our data base and integrating the insights we gain from our due diligence and complaints process into the risk management process. The results of this analysis are systematically documented to create transparency and ensure traceability of the identified risks.

c) Results and measures

In 2023, we identified the first areas of risk in our business and supply chain. In 2024, Group Procurement conducted a more in-depth abstract risk analysis of suppliers to identify the greatest risks in our external supply chains. We paid particular attention to the following points: poor working conditions, non-compliance with occupational health and safety, inadequate wages and possible environmental pollution.

Suppliers who showed a higher risk were initially classified as "high priority" and examined more closely. These suppliers are located in countries with increased risks of human rights violations and environmental pollution. Our subsequent analysis showed that there are no high risks. Nevertheless, we take our responsibility seriously and have taken measures to ensure that this remains the case in the future. The results of the analysis inform our strategic decisions and help us to develop targeted risk mitigation measures. We are committed to actively addressing the identified risks and respecting human rights in our supply chain.

3.3. Preventive measures

LÄPPLE has implemented a wide range of preventive measures in its own business area in order to prevent or minimise human rights or environmental risks in the best possible way.

In addition to the implemented regulations and Group-wide standards, various other measures are being implemented in the Group companies. This includes, for example, the submission of this policy statement, our Code of Conduct, the Supplier Code of Conduct and the risk assessment and audits of suppliers. We take human rights and environmental criteria into account as early as the selection process.

In order to sensitize our employees to human rights, safety and environmental due diligence, to raise awareness of the requirements of the LkSG and to impart the necessary knowledge for the effective implementation of our human rights strategy in the relevant business areas, we conduct regular training courses in our company. We promote a safe and healthy working environment and protect the confidentiality and integrity of information and personal data through comprehensive security management.

We are committed to appropriately involving those potentially affected by our business activities, with their diverse interests, in the development and implementation of due diligence measures to ensure the effectiveness of our due diligence measures.



3.4. Remedies

If an imminent or past violation of a human rights or environmental obligation is detected in the company's own business or at direct suppliers, remedial measures are taken immediately to end the violation or minimize the extent of the violation. The remedy depends on the nature of the infringement found and is decided on a case-by-case basis. In our own business, the remedy must result in an end to the breach.

If we have factual indications that make a violation of a human rights or environmental obligation appear possible on the part of indirect suppliers, we first counter this with an event-related risk analysis. If, as part of this risk analysis, we determine that human rights or environmental obligations have been violated by an indirect supplier or that such a violation is imminent, we immediately initiate appropriate remedial measures within the scope of our legal and factual possibilities⁶ to prevent, terminate or minimize the extent of the violations.

Depending on the severity of the infringement, we reserve the right to request our business partners to remedy the infringement immediately, to temporarily suspend the business relationship or, in the extreme case, to terminate the business relationship.

3.5. Grievance mechanism

An important part of our due diligence processes is an effective grievance process that enables reports of human rights and environmental risks and violations, regardless of their origin in the supply chain or our business. In addition to postal submission, a multilingual electronic whistleblower system is available that meets the requirements of the LkSG.

Protecting whistleblowers from disadvantages is important to us. All reports will be treated confidentially and, if desired, anonymously. We check every report in connection with the LkSG for possible risks or violations and, if necessary, forward it to the internal competent authority. If suspicion is confirmed, we take measures to mitigate the risk.

This process allows us to identify unknown risks and continuously improve our risk management. We review the effectiveness of the complaints procedure annually and if necessary.

⁶ This can also involve concerted action in collaboration with trade associations and industry initiatives to exert the greatest possible influence on suppliers.

4. Our responsibility and expectations of employees

This policy statement applies to all companies, managers, board members and management board members and all employees in the LÄPPLE Group.

LÄPPLE actively promotes the communication of the underlying guidelines. The declaration is reviewed and updated at least once a year and as necessary, for example after the annual risk analysis. It is disseminated on the intranet and via various communication channels such as e-mail newsletters, team meetings, digital notices and the company app to employees and relevant stakeholders, as well as externally via the LÄPPLE corporate website. All policy changes and updates are documented and visible to all employees to ensure transparency.

To raise awareness of human rights and environmental expectations, LÄPPLE uses training and instruction based on the LÄPPLE Code of Conduct, the LÄPPLE Supplier Code of Conduct, relevant LÄPPLE protection and safety standards and this policy statement. There are also special training courses for the shopping community and other relevant areas. Managers receive training on the responsibility and implementation of our protection standards.

Specific and risk-based training courses in the purchasing, production and compliance departments, among others, are used in a complementary manner and in a way that is tailored to the target group.

Further training and communication concepts as well as risk-based introduction to other business partners are continuously being developed.

Sales partner training takes place, for example, at dealer or importer conferences and through the provision of information material.

In our own business area, but also in the supply chain, we also rely on training, some of which is mandatory, as well as systematic dialogue and cooperation with rights holders and human rights experts.

5. Reporting and documentation

We report annually on the fulfilment of our human rights and environmental due diligence obligations for the past financial year, both to the competent authority and on our website.

In addition, we continuously document compliance with these due diligence obligations within the LÄPPLE Group. We regularly have the fulfilment of numerous standards and LÄPPLE specifications checked by other bodies and confirm the compliant implementation. The documentation of the processes described in this policy statement is retained in accordance with legal requirements.

www.laepple.de

LÄPPLE AG
August-Läpple-Straße 1
74076 Heilbronn
Germany
T +49 7131 131-0
info@laepple.de

The LÄPPLE Group