

## **Kaufland Declaration of Principles on Corporate Due Diligence in the Supply Chain.**

### ***Our fundamental position and responsibility.***

At Kaufland, we attach great importance to respecting human rights and protecting the environment – both in our own business operations and in our global supply chains. Our goal is to advocate for their compliance and to prevent violations. As an internationally active retail company with our employees and numerous business partners, we are aware that the protection of people and the environment can only be improved together. Therefore, as part of the Schwarz Group, we work together with our business partners to comply with rules and laws and, furthermore, to show resolute commitment when it comes to fair business practices as well as good living and working conditions. In doing so, we benefit from our diverse commitment in recent years to human rights and environmental issues.

We at Kaufland do everything in our power to ensure that human rights or environmental standards are not violated either in our own business operations or in the supply chain. Our own business area covers every activity relating to the provision and sale of products in Kaufland stores and on our online marketplace, but also the production, administration and organization itself, which makes trading with our own and third-party brands possible. The obligation to ensure compliance with human and environmental rights in our supply chain relates primarily to our direct suppliers. But we also fulfill our due diligence obligations with regard to their upstream suppliers: if we receive information about a possible violation of human rights or environmental standards, we act immediately.

In order to present the scope and nature of our due diligence obligations, the measures taken, the goals set and the elementary importance of environmental protection and human rights for Kaufland clearly, concisely and comprehensibly, we have drafted this declaration of principles. It supplements existing company principles and guidelines and covers all our activities in all business areas.

### ***Our implementation of corporate due diligence.***

To implement the requirements of the **Supply Chain Due Diligence Act (LkSG)**, we have established the necessary processes and defined the responsibilities in our corporate principles, corporate guidelines and procedural instructions. In this declaration of principles, we explain the fundamental goals and strategies of

Kaufland to protect human rights and environmental standards in our supply chains from violations.

The responsibility for implementing the requirements of the Supply Chain Due Diligence Act lies with the management. To this end, it has defined its own compliance focus. The **responsibility** for implementing the new focus lies with the Legal & Governance department, supported by the Corporate Affairs/Sustainability and Purchasing/Sustainability departments. In this way, we ensure that both legal requirements and other sustainability aspects are taken into account with regard to Kaufland supply chains.

To achieve our goals, Kaufland has created appropriate procedures and processes within the framework of supply chain **risk management**, for the implementation of which various specialist departments work closely together. Through sustainability and risk management, Kaufland strives to record, analyze and eliminate actual and potentially negative impacts on human rights or the environment along the supply chain. To ensure that supply chain risk management is set up appropriately and effectively, Kaufland regularly conducts systematic risk analyses regarding its own business area as well as direct suppliers and develops measures based on the insights gained. All involved specialist departments document relevant measures and facts in accordance with legal regulations.

We regularly and on an ad hoc basis review the effectiveness of our risk analyses, preventive and remedial measures, grievance channels and other processes in the event of significant changes or expansions in the risk situation.

### ***Our responsibility in our own business area.***

During the **risk analysis** in our own business area, we take a close look at the relevant activities with regard to LkSG-relevant risks. Because we consistently and systematically counteract possible risks not only along our supply chain, but also with regard to our own business area. We have implemented corresponding processes, guidelines and measures for this purpose. In addition to the risk analyses, Kaufland also fulfills its obligations under the Supply Chain Due Diligence Act with a series of preventive measures. Our main focus is on occupational health and safety, and we actively support all measures that serve to ensure the equal treatment of all employees.

In **training courses**, we inform and sensitize our employees regarding human rights and environmental standards as well as the regulations and obligations arising from the Supply Chain Due Diligence Act. The focus is on imparting knowledge about the

law itself, passing on information about risks along our global supply chains, measures to reduce or eliminate these risks as well as information on the reporting channels to report potential violations and breaches of human rights and environmental standards.

In our **purchasing and procurement strategies**, we sensitize our specialist departments to the importance of auditing our business partners. In particular, the focus is on the protected rights from the Supply Chain Due Diligence Act in order to identify risks at an early stage and to be able to react appropriately before initiating business. The screening and evaluation of information on potential business partners is of particular importance here; automated processes such as comparison with lists from various authorities, artificial intelligence as well as case-by-case research, for example in databases, are used for these purposes.

### ***Our expectations of our direct suppliers.***

In view of our large number of business partners and goods from numerous countries, a focus is on the special risks along the supply chains of a full-range retail company. To this end, Kaufland regularly and on an ad hoc basis conducts a systematic, abstract **risk analysis** in order to identify and evaluate human rights and environmental risks in its supply chain at an early stage. All business partners are evaluated using a uniform methodology and classified on a risk basis. Recognized sources for evaluating the risks of countries of origin and industries are consulted and evaluated here. For the evaluation of possible risks, the probability of occurrence of a human rights or environmental violation for each risk topic in a specific combination of country and sector/industry is particularly relevant, whereby Kaufland's potential ability to influence and potential contribution to the cause are also included in the assessment. The highest relevance for action exists for the product groups fruit/vegetables/plants, fashion/accessories, cooking oil as well as rice and pulses. We have directed our special attention to service providers from the transport and road freight sector. For direct business partners, the risk topics of occupational safety, adequate remuneration, forced labor as well as possible environmental impacts show the highest risks. The identified risks occur primarily in Eastern Europe and partly in Southern Europe. The findings of the risk analysis flow into the development of measures to prevent or mitigate adverse effects of our business activities.

For many years now, the Code of Conduct for business partners has formed our basis for compliance with minimum social and environmental standards in the supply

chain. In the course of implementing the Supply Chain Due Diligence Act, the anchoring of human rights and environmental standards in the extensive Kaufland-internal procedures and processes is gaining further importance. Thus, we are also implementing the legal requirement for the **contractual obligation** of our direct suppliers. A corresponding clause in the contracts with our suppliers is intended to bind them to their own compliance with and safeguarding of human rights and environmental standards, as well as to the appropriate transfer of this obligation down the supply chain.

And it is not only our own employees who receive information from training courses; employees of our direct suppliers can and should also be sensitized via a training course offered by us. We therefore provide our business partners with a **training course** with which they can train their employees – regardless of whether the supplier itself is obligated under the Supply Chain Act or not. This training course imparts knowledge on the goals, obligations and responsibilities of the Supply Chain Act.

Since **remedial measures** in the case of a direct or indirect supplier cannot be defined in a blanket manner and in advance, we at Kaufland follow up on identified risks, findings and reports on a case-by-case basis. For this purpose, we analyze the specific need for correction and improvement. Part of this analysis is also taking into account the expectations of the group of people affected by the violation. Required remedial measures can, on the one hand, be internal measures in our own business area, such as process adjustments, new guidelines or improved training concepts; on the other hand, measures with and towards third parties may also be necessary. In the event of an identified violation of legal human rights or environmental obligations, we work together with the supplier to develop an individual concept to prevent, end or minimize the extent of a violation. In this way, the specific features of the respective business partner, such as the industry in which it operates, its goods and products or country-specific risks, can be taken into account and appropriate measures implemented.

### ***Reporting and processing information and complaints.***

Through our **complaints procedure**, all employees and persons along our supply chain can alert the company to human rights or environmental risks or violations in our own business area and in the value chain. This ensures that the report can be submitted confidentially and is processed in accordance with our rules of procedure. These rules of procedure stipulate that the Legal & Governance department

clarifies during the initial assessment of the tip-off whether the report is relevant for human rights or environmental risks or breaches of duty. If relevance and initial suspicion are established, an internal investigation procedure is initiated as quickly as possible to clarify the facts. For this purpose, the Compliance Officer forms an investigation team for the respective specific investigation case from the relevant specialist departments (e.g. Corporate Affairs/Sustainability, Human Resources, Purchasing, Procurement). If necessary, internal or external service providers are called in to clarify the facts. Processing takes place within a reasonable period of time. After completion of the investigation, we check whether remedial measures are necessary to eliminate, minimize or prevent the violation in the future.

***We assume responsibility for the implementation of and compliance with this declaration of principles.***