



POLICY STATEMENT KAUFLAND

OUR BASIC POSITION AND RESPONSIBILITY

At Kaufland, the respect for human rights and the protection of the environment is of great importance – both, in our own business area and in our global supply chains. Our goal is to ensure compliance and prevent violations. As an international trading group with many employees and numerous business partners, we are aware that the protection of people and the environment can only be improved by working together. That is why we work together with our business partners to comply with laws and regulations, and to demonstrate commitment when it comes to fair business practices and good living and working conditions. We benefit from our past diverse commitment to human rights and ecological issues.

At Kaufland, we do what we can to ensure that human rights and environmental standards are not violated either in our own business area or in the supply chain. Our own business area includes all activities related to the provision and sale of products in the Kaufland stores and our online marketplace, but also the production, administration and organization itself, which makes it possible to trade with our own and third-party brands.

The obligation to ensure compliance with human and environmental rights in our supply chain applies above all to our direct suppliers. But we also comply with our due diligence obligations regarding their upstream suppliers: If we receive information about a possible violation of human rights or environmental standards, we act immediately.

To state the scope and nature of our due diligence obligations, the measures taken, the goals we have and the fundamental importance of environmental protection and human rights for Kaufland in a clear, concise and understandable manner, we have prepared this policy



statement. It supplements existing corporate principles and guidelines and covers all our activities in all business areas.

OUR IMPLEMENTATION OF CORPORATE DILIGENCE

OUR RESPONSIBILITY IN OUR OWN BUSINESS AREAS

To implement the requirements of the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains we have established the necessary processes and defined the responsibilities in our company principles, company guidelines and procedural instructions. In this **policy statement**, we explain the fundamental goals and strategies of Kaufland to protect human rights and environmental standards.

The responsibility for the implementation of the requirements from the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains lies with the management board, which has defined an own compliance focus for this purpose. The **responsibility** for its implementation lies with the Legal & Compliance department, supported by the Sustainability/CR, Risk Management and CSR Purchasing department. In this way, we contribute to the respect of legal requirements as well as sustainability aspects along the Kaufland supply chains.

To achieve our goals, Kaufland has created appropriate procedures and processes within the framework of **risk management**, and different departments work closely together to implement them.

Through **sustainability and risk management**, Kaufland endeavors to record, analyze and remedy actual and potential negative effects on human rights or the environment along the supply chain. To ensure that risk management is set up appropriately and effectively, Kaufland regularly carries out a systematic risk analysis regarding its own business area as well as direct suppliers and defines measures based on the knowledge gained. The risk management is monitored and adjusted regularly as well as required.

In the **risk analysis** in our own business area, we check the activities of all Kaufland departments regarding risks that are relevant to the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains. In this way we systematically and consistently address potential risks not only along our supply chain, but also regarding our own business area. To this end, we have implemented numerous processes, guidelines and measures.

In addition to the risk analyzes, Kaufland also fulfills its obligations under the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains with a number of preventive measures.

In **training courses**, we inform and sensitize our Kaufland employees to the relevant human rights and environmental standards as well as to the regulations and obligations arising from the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains. The focus is on conveying knowledge about the law itself, sharing information on risks along our global supply chains, on measures to reduce or eliminate these risks and on the channels to report potential violations of human rights or environmental standards.

In our **purchasing and procurement strategies**, we give guidance to our departments in checking and selecting suitable business partners in accordance with the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains. In particular, the protected rights from the Supply Chain Due Diligence Act are a focus to identify risks at an early stage and to be able to react appropriately before initiating business transactions. Viewing and evaluating information on potential business partners is particularly important; Automated processes such as comparison with lists from various authorities, artificial intelligence and individual case-based research, for example in diverse databases, are used.

Transparent communication on human rights and environmental challenges is a core element of due diligence. For this reason, we publish an annual **report** on key risks, our measures and progress achieved, as well as on ongoing challenges in accordance with legal requirements.

OUR EXPECTATIONS TO OUR IMMEDIATE SUPPLIERS

In view of our large number of business partners as well as goods from all over the world, one focus is on the special risks along the supply chains of a full-range retail group. To this end, Kaufland carries out a systematic **risk analysis** annually and as required to identify and assess human rights and environmental risks in its supply chain at an early stage. All business partners are evaluated using a uniform methodology and prioritized based on their specific risk level. Acknowledged sources are used and evaluated to assess the risks of countries of origin, raw materials and products.

For the assessment of possible risks, the probability of the occurrence of a human rights or environmental violation for each risk topic in a specific combination of country and sector is relevant.

In addition, Kaufland's potential influence and causal contribution are included in the calculation. The highest action relevance exists for the product groups fruit / vegetables / plants and fashion / accessories.

For the direct suppliers, the risk topics of occupational health and safety, adequate remuneration, forced labor and child labor are at the highest risk. The risks identified occur primarily in Asia, the Middle East, Eastern Europe and to some extent in Southern Europe. The findings of the risk analysis flow into the definition of measures to avoid or mitigate adverse effects of our business activities.

For many years, the Code of Conduct¹ for business partners has been our basis for compliance with social and environmental standards in the supply chain. In the course of implementing the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains, the anchoring of human rights and environmental standards in Kaufland's extensive processes and processes is gaining importance. In this way, we also implement the legal requirement for the **contractual obligation** of our direct suppliers. A corresponding clause in the contracts with our suppliers is intended to oblige them to comply with and uphold human rights and environmental standards themselves – as well as to adequately pass on this obligation in the supply chain.

And not only our own employees receive information from training courses, employees of our direct suppliers can and should also be sensitized via a training course offered by us. We provide therefore our business partners with a training course that they can use to train their employees – regardless of whether the supplier itself is obliged under the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains or not. This **training course** provides knowledge about the objectives, duties and responsibilities of the Act.

Since **remedial measures** in the case of a direct or indirect supplier are not general and cannot be defined in advance, we at Kaufland follow up on identified risks and findings as well as reports on individual cases. For this purpose, we analyze the specific need for correction and improvement. Part of this analysis is also the consideration of the expectations of the group of people affected by the violation. Necessary remedial measures can 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 by third parties may also be necessary. If a violation of legal human rights or environmental obligations is identified, we work with the supplier to develop an individual concept for preventing, ending or minimizing the extent of the violation. In this way, the special features of the respective business partner, such as the industry in which they operate, their goods

¹ <https://www.kaufland.com/compliance-kaufland.html#code-of-conduct>

and products or country-specific risks, can be considered and appropriate measures implemented.

REPORT, PROCESS INFORMATION AND COMPLAINTS

Through our complaints procedure, all employees and persons along our supply chain can make the company aware of human rights or environmental risks or violations in their own business area and in the value chain. This ensures that the report can be submitted anonymously and confidentially² and that it is processed in accordance with our rules of procedure³. These rules of procedure stipulate that the Legal & Compliance department clarifies in an initial assessment whether the complaint is relevant for human rights or environmental risks or breaches of duty. If relevance and initial suspicion are determined, an internal investigation procedure is initiated as soon as possible to clarify the facts. For this purpose, the compliance officer creates an investigation team for the respective specific investigation matter from the relevant departments (e.g. Corporate Responsibility, Human Resources, Purchasing, Procurement). If necessary, internal or external service providers will be consulted to clarify the facts. The processing takes place within a reasonable period of time. After completing the investigation, we check whether measures are required to end, minimize or prevent the violation.

We take responsibility for the implementation and compliance with this policy statement.

² <https://www.kaufland.com/compliance>

³ https://www.kaufland.com/content/dam/kaufland/website/com/master_INT/download/document/LkSG-Verfahrensordnung-Beschwerdeverfahren-en.pdf

