

Report on the implementation of the German Supply Chain Act (LkSG) at valantic GmbH

Reporting period from 01.01.2023 to 31.12.2023

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1 Strategy and implementation

1.1 Monitoring of risk management

In the reporting period, the responsibilities for monitoring risk management were clearly defined and allocated to various functions within our company. The legal department was responsible for monitoring legal risks, complying with the law and ensuring adequate insurance cover. Financial risks were carefully monitored by Controlling, while the IT department was responsible for monitoring IT security risks.

The management has established a robust reporting process that ensures regular and at least annual information on the activities and results of risk monitoring. This process complies with the requirements of Section 4 (3) LkSG and ensures transparent and timely communication between those responsible for risk management and the Executive Board.

Specifically, regular meetings have been established at which the responsible members of the Management Board are informed about measures to minimize or eliminate risks. Those responsible for the various risk areas report several times a year at the management meetings, thus ensuring a continuous dialog and ongoing monitoring of risk management. This structured approach enables the management to make well-founded decisions and effectively manage the risk landscape of our company.

1.2 Declaration of Principles on the human rights strategy

As part of our commitment to comply with the LkSG, we have drawn up a Declaration of Principles on our human rights strategy based on the risk analysis carried out during the reporting period. This declaration is a key document that reflects our attitude and commitment to human rights and corporate due diligence.

The policy statement is available at

<https://www.valantic.com/wp-content/uploads/valantic-declaration-of-principles.pdf>

The Declaration of Principles was not only drawn up during the reporting period, but also actively communicated. It was made transparent to our employees, the public and direct suppliers where risks were identified. Communication took the form of publication on our company website, which ensured that all relevant target groups had access to the information and were informed about our human rights strategy.

The Declaration of Principles contains key elements that are crucial to the implementation of our human rights strategy. These include the establishment of a risk management system, the performance of an annual risk analysis and the embedment of preventive measures both in our own business area and at our suppliers. It also addresses the implementation of remedial measures and the provision of a complaints procedure, the effectiveness of which is regularly reviewed. The documentation and reporting obligations are defined, as are the description of the priority risks identified and the expectations of our employees and suppliers with regard to human rights and environmental standards.

Our Declaration of Principles therefore forms the foundation for our ongoing commitment and compliance with our corporate due diligence obligations. It was not necessary to update the Declaration of Principles in the reporting period.

1.3 Embedding the human rights strategy within the organization

Embedding our human rights strategy within our organization was a key concern during the reporting period. Implementation of the strategy was ensured in the relevant specialist departments and business processes, particularly in the areas of HR, Procurement and Legal/Compliance. These departments play a key role in the implementation of our human rights obligations and were integrated into the processes accordingly.

Responsibility for implementing the human rights strategy lies with the managing directors of the individual Group companies. They are responsible for ensuring that the strategy is implemented and put into practice in their respective departments. In order to effectively integrate the strategy into operational processes and procedures, all relevant departments have been comprehensively informed and trained on the content and requirements of the human rights strategy. This transfer of knowledge is crucial to ensure a uniform understanding and consistent application of the strategy. In addition, internal processes were reviewed and adapted to ensure that they are in line with the principles of the human rights strategy.

Specific resources and expertise were also made available for the implementation of the human rights strategy. The Group's Legal and Compliance Team and ESG Team were actively involved to contribute their specialist knowledge. In addition, the expertise of subsidiaries was drawn on to utilize a broad spectrum of knowledge and experience. These resources ensure that we not only meet the legal requirements in the reporting period, but also embed

compliance with our corporate due diligence obligations in our organization in a long-term and sustainable manner.

2 Risk analysis and preventive measures

2.1 Implementation, procedure and results of the risk analysis

In the reporting period, a comprehensive risk analysis was carried out to identify, weight and prioritize human rights and environmental risks both in the company's own business area and at direct suppliers. This annual risk analysis was based on the business figures for 2022, specifically from January 1, 2022 to December 31, 2022, and was carried out in the period from November 2023 to February 2024.

Risk analysis procedure

The external risk analysis contained four steps:

- 1. Abstract risk analysis:** First, the suppliers were assessed based on their product group and country risks. This was carried out using an automated risk analysis tool. The risks of the countries of origin were determined on the basis of publicly available indices recommended by BAFA (German Federal Office for Economic Affairs and Export Control). The commodity group risks were assessed through interviews with the relevant experts, with the severity and probability of occurrence of each risk type being measured and weighted. In addition, the ability to exert influence was taken into account as an appropriateness criterion for prioritization.
- 2. Supplier questionnaire:** Suppliers with an increased risk received a questionnaire for a detailed risk analysis. This questionnaire was used to obtain information on relevant human rights and environmental aspects as well as certifications.
- 3. Specific risk analysis:** Based on the responses, a supplier-specific assessment was carried out according to the criteria of probability of occurrence and severity of the breach in the event of occurrence. The severity of the breach was assessed based on the degree of impairment, the number of people affected and reversibility.
- 4. Risk classification:** Based on the specific risk assessment and the ability to exert influence, the suppliers were classified into different risk levels and corresponding minimum measures were defined.

The internal risk analysis was carried out in two stages:

1. **Initial risk assessment:** The parent company's Legal and Compliance Team assessed the risk categories for its own business area with the support of relevant specialist departments.
2. **Review and adjustment:** This assessment was provided to the ESG-Officers of the subsidiaries for review and possible adjustment.

Results and weighting of risks

No specific risks were identified in our own business area during the reporting period. Risks of non-compliance with occupational health and safety and work-related health hazards as well as risks of non-compliance with freedom of association were identified and prioritized at our direct suppliers.

The potential risks were weighted and prioritized based on the expected degree of impairment, the number of people affected, the reversibility of the breach and the probability of occurrence. The weighting was carried out by decentralized experts in the respective business units in order to ensure a precise and context-related assessment.

This structured and detailed approach to risk analysis enables our company to respond proactively to potential risks and implement effective preventive measures in order to consistently meet our social and environmental obligations.

2.2 Preventive measures in our own business division

During the reporting period, no internal risks were identified in our own business division that would have required prioritization. This result is based on a comprehensive and thorough risk analysis, which did not reveal any specific human rights or environmental risks within our business division. Therefore, no prioritization of risks was necessary.

Although no specific risks were identified, we proactively implemented preventive measures to raise awareness and compliance in the area of human rights and environmental protection. One of the main measures was the implementation of training in relevant business areas.

Description of the training measures

The training was held for all employees in key functions such as Management and Assistance, Legal, Recruitment, HR and for all employees responsible for purchasing. The training content was provided in the form of a PowerPoint presentation by a subsidiary specializing in the implementation of the LkSG. At the end of the presentation, the knowledge acquired was

checked by means of a series of questions to ensure that the content had been understood and internalized. This measure serves to create an in-depth understanding of the relevant legal content and the associated risks.

Effectiveness of the training courses

Training is a key component of our strategy to prevent and minimize potential risks. They ensure that all affected employees are not only informed about the legal requirements, but also have the necessary knowledge to implement these requirements in their daily work processes. The training courses help to increase risk awareness and promote a culture of compliance and responsibility within the company.

In addition, the Legal and Compliance Team is available as a permanent point of contact to clarify questions and provide support. This ongoing support ensures that the training is not just a one-off measure, but part of a comprehensive approach to risk prevention and minimization.

2.3 Preventive measures for direct suppliers

In the reporting period, two significant risks were prioritized at our direct suppliers: disregard for occupational health and safety and work-related health hazards as well as disregard for freedom of association, in particular freedom of association and the right to collective bargaining.

Prioritized risks and their localization

In the area of disregard for occupational health and safety and work-related health hazards, the specific prioritized risk relates to the violation of appropriate working time regulations in India. In the area of disregard for freedom of association, freedom of association and the right to collective bargaining, the specific prioritized risk includes the potential obstruction of the establishment of trade unions or works councils in Brazil, India, Cape Verde and Ukraine.

Preventive measures implemented

The development and implementation of suitable procurement strategies and purchasing practices were key measures for preventing and minimizing the identified risks. Purchasing employees throughout the company were made aware of the need to take LkSG-relevant aspects into account when selecting suppliers. This includes observing working conditions and freedom of association when awarding contracts. Although no risks have been confirmed

in the specific risk analyses to date, employees are prepared to initiate follow-up measures immediately if risks are confirmed, including contractual adjustments.

Raising awareness and the individual contractual agreements based on this help to ensure that LkSG-relevant criteria are not only observed, but actively integrated into supplier relationships. This promotes sustainable risk minimization and ensures that our supply chain complies with legal requirements and ethical standards.

Obtaining contractual assurances of compliance and enforcement of expectations along the supply chain and agreeing and implementing risk-based control measures are other key pillars of our prevention strategy. The introduction of a Supplier Code of Conduct for all suppliers with a significant purchasing volume not only raises their awareness, but also obliges them to implement appropriate preventive measures. We also reserve the right to carry out risk-based control measures to check and ensure compliance with the standards.

Effectiveness of the measures

The measures implemented are both appropriate and effective, as they enable comprehensive coverage of risk areas and promote a proactive approach to risk minimization. The combination of awareness-raising, contractual adjustments and control measures forms a robust system that is consistently geared towards ensuring compliance with human rights and environmental standards in our supply chain.

2.4 Communicating the results

The results of the risk analyses for the reporting period were effectively communicated to the relevant decision-makers within our company in accordance with Section 5 (3) LkSG. This communication included passing on the results of the analysis to the Executive Board, Management and those responsible employees for purchasing.

Communicating the results internally is a crucial step in ensuring that all relevant parties are aware of the identified risks and can act accordingly. This enables a coordinated response to potential risks and ensures that preventive measures are implemented effectively.

Communication was structured to ensure a clear and understandable presentation of the results. This included detailed reports and presentations containing specific information on the identified risks, their potential impact and recommended risk mitigation measures.

Timely and comprehensive communication of risk analysis results to decision-makers enables them to make informed strategic and operational decisions. This strengthens our

commitment to responsible business practices and helps our company to respond proactively to challenges.

2.5 Changes in risk disposition

As the current reporting period is the first of its kind in which a risk analysis was carried out in accordance with the requirements of the LkSG, no previous data is available that would allow a comparison of the priority risks. Consequently, there have been no changes in priority risks compared to a previous reporting period.

For future reporting periods, it will be important to continuously monitor and compare the results of the risk analyses in order to identify and respond to changes in the risk landscape. This will enable our company to evaluate the effectiveness of the preventive measures implemented and, if necessary, make adjustments to further improve risk prevention.

3 Identification of violations and remedial measures

3.1 Violations and remedial measures in own business area

No violations were identified in our own business operations during the reporting period. This result is part of our ongoing efforts to ensure compliance with human rights and environmental standards in all aspects of our business activities. We have implemented a multi-layered process to identify potential violations in our own business area:

1. **Reporting procedure for internal employees:** A key element of our compliance system is the reporting procedure, which enables our employees to report potential violations and breaches. This procedure is designed to be easy to use and to ensure the confidentiality of information. This enables us to respond to information at an early stage and initiate appropriate investigations.
2. **Annual inspections:** In addition to the reporting process, we carry out regular checks to verify compliance with the requirements of the LkSG. These checks are part of our internal audit system and include a review of the relevant business processes and practices. They help us to identify weaknesses and take preventive measures to avoid breaches.

3.2 Violations and corrective actions at direct suppliers

No breaches were identified at our direct suppliers during the reporting period either, which may indicate that our preventive measures and monitoring processes are highly effective. Nevertheless, we have established procedures to ensure that we can effectively detect and respond to violations.

1. **Complaints mechanism:** A central component of our monitoring system is the complaints mechanism, which is available to both internal and external stakeholders. This mechanism allows any person who observes or becomes aware of potential violations to report them. The mechanism is designed to be easily accessible and user-friendly to ensure a low threshold for reporting.
2. **Annual inspections:** We also carry out regular inspections of our suppliers. These checks are part of our due diligence and include verification of compliance with our standards

and guidelines. The checks may include audits, self-assessments or other appropriate verification procedures.

3.3 Violations and remedial measures for indirect suppliers

No breaches were identified at indirect suppliers during the reporting period. However, it is important to emphasize that monitoring indirect suppliers can be a challenge due to the greater distance from the direct business relationship. Indirect methods and cooperation with direct suppliers are required to ensure transparency and compliance with standards at lower levels of the supply chain.

We are also aware that the risk landscape, particularly in relation to our suppliers, is dynamic and constantly changing. We therefore strive to continuously improve our monitoring and control procedures to ensure that they remain effective and that we can meet our obligations. We are determined to promote and maintain a culture of transparency and accountability in our supply chain.

4 Complaints procedure

4.1 Establishment of a complaints procedure

The company's own complaints procedure, which is designed as a web-based whistleblower system, was offered for the reporting period. This system enables all stakeholders to report violations of laws, the Code of Conduct and guidelines. Reports can be submitted completely anonymously, which lowers the threshold for using the system.

Link to the whistleblower system:

<https://valantic.whistleblowing-software.com/>

Access to the complaints procedure is ensured for the company's own employees, employees of direct and indirect suppliers and other external stakeholders such as NGOs or trade unions. The following measures have been implemented to ensure access to the complaints procedure:

- **Publicly accessible rules of procedure:** The rules of procedure are accessible via a publicly accessible link that is embedded on the company website and can also be accessed directly via the link provided. This ensures transparency and promotes trust in the complaints procedure.

Link to the rules of procedure in text form:

https://valantic.whistleblowing-software.com/api/data/public/documents/20240514_valantic_Whistleblower_policy.pdf

- **Accessibility:** The tool is easy to access via our company website and all employees receive information on how to use the tool and who to contact if they have any questions.
- **Responsibility:** The Legal and Compliance Team is responsible for processing incoming reports.
- **Process:** The process is described in the rules of procedure, which contain a clear overview of the responsibilities and process steps.
- **Clarity and comprehensibility:** Communication to employees and external stakeholders is formulated clearly and comprehensibly and it is pointed out that the Legal and Compliance Team is available to answer any questions.

4.2 Requirements for the complaints procedure

Anna Forestan as Legal Director and Alev Mantar as Data Protection and Compliance Manager are responsible for the complaints procedure. It is confirmed that these persons meet the criteria for the responsible persons pursuant to Section 8 (3) LkSG in that they offer a guarantee of impartial action, are independent and not bound by instructions and are bound to confidentiality.

The following precautions have been taken to protect those potentially involved from being disadvantaged or penalized because of a complaint:

- **Anonymity:** It is possible to submit anonymous reports so that the confidentiality of the identity of the whistleblower is protected.
- **Authorization concept:** A limited group of people has access to the reports. This group consists of the Internal Reporting Office and a selected group of people from the subsidiaries concerned who are authorized to receive and process the reports.
- **Disclosure of identity:** The identity of whistleblowers will only be disclosed with their consent or if this is required by law.
- **Internal Reporting Office:** Whistleblowers with questions and concerns can contact the Internal Reporting Office, which is staffed by employees from the Legal and Compliance department. These employees are obliged to maintain confidentiality.
- **Information about rights:** The Policy provides whistleblowers with comprehensive information about their rights and the options for reporting. This also includes information that external reports can be made to a competent authority.
- **Protection from detrimental behavior:** Assurance is given that whistleblowers will be protected from detrimental behavior. All documents relating to the report are stored securely.

4.3 Implementation of the complaints procedure

No information was received about the complaints procedure during the reporting period. With this in mind, we are committed to promoting the accessibility and visibility of the process and continuing to communicate it to all potential stakeholders. This is important to ensure the effectiveness of the complaints procedure and to promote a culture of openness and trust within our organization and with external partners.

5 Review of risk management

Our company's risk management is subject to regular review to ensure that it is appropriate and effective in all aspects - from resources and expertise to the risk analysis process, preventive and remedial measures, complaints procedure and documentation. This review is conducted at least annually with the group of people involved in the operational implementation of the requirements of the LkSG.

Specific processes and measures have been established in our company to ensure that the interests of our employees, employees within our supply chains and all others who may be directly affected by our business activities in a protected legal position are appropriately taken into account. These processes and measures are an integral part of our risk management and extend across various areas.

In the area of **resources & expertise**, we employ an experienced ESG Team, which is supported by a subsidiary that advises on the implementation of the requirements of the LkSG. This ensures that we have the necessary expertise to identify and protect the interests of those affected.

We have established a system of ongoing documentation for **preventive and remedial measures**, which enables us to continuously monitor and adapt our procedures. An authorization concept ensures that only authorized persons have access to sensitive information, which further strengthens the protection of the interests of those affected. In addition, regular training on the LkSG is carried out and purchasing strategies are implemented that aim to preventively minimize risks and enable effective remedial measures in the event of violations.

The **complaints procedure** is another key area in which the interests of those affected are taken into account. Those affected can report grievances anonymously via our whistleblower system. This tool is a central element of our commitment to transparency and integrity and offers those affected a secure platform to voice their concerns.

These processes and measures are designed to protect and promote the interests of all stakeholders and form the foundation for responsible risk management in our company.