

Supply Chain Due Diligence Act

Report
2023

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1. Monitoring of risk management & responsibility of the management

1.1. What responsibilities were defined for monitoring risk management in the reporting period?

The Human Rights Officer Balázs Venter is responsible for monitoring risk management. The Human Rights Officer, who is an employee of the LGI legal department, has sufficient access to the information relevant for monitoring. The legal department has a sufficient budget for the necessary compliance training, and the human rights officer has access to the artificial intelligence-based system called Prewave, which is used for the risk-based implementation of control measures at suppliers and business partners. Furthermore, a regular exchange takes place between the aforementioned departments and the legal department when commissioning new suppliers/service providers (mainly by Purchasing & Facility Management) and entering into new business relationships with new customers (divisions). Finally, the management must ensure that there are no conflicts of interest between the activities performed and the position of the Human Rights Officer, with the aim of ensuring that the Human Rights Officer is not hindered in the performance of his monitoring duties.

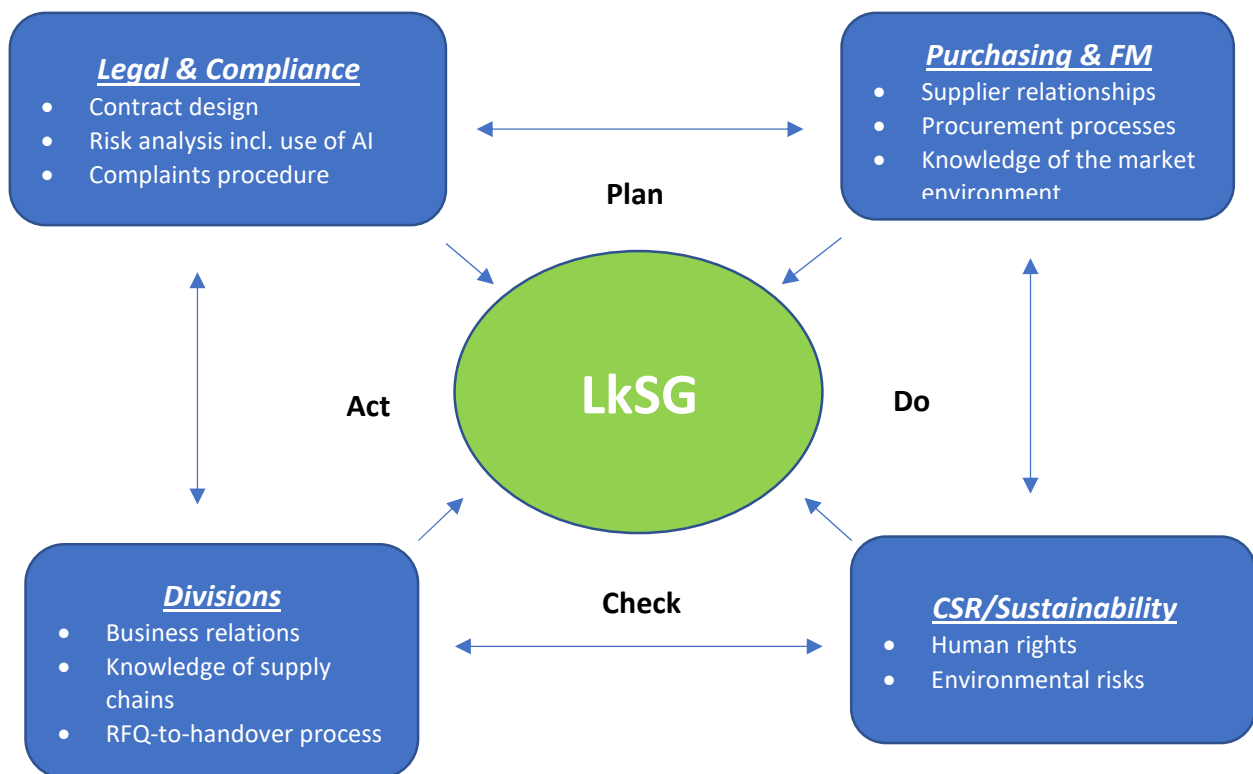
2. Identified risks and/or identified violations

No human rights or environmental risks were identified during the reporting period.

3. Risk analysis at the LGI Group

3.1. Cooperation between the areas affected by the LkSG

Figure Risk management: Cross-departmental collaboration

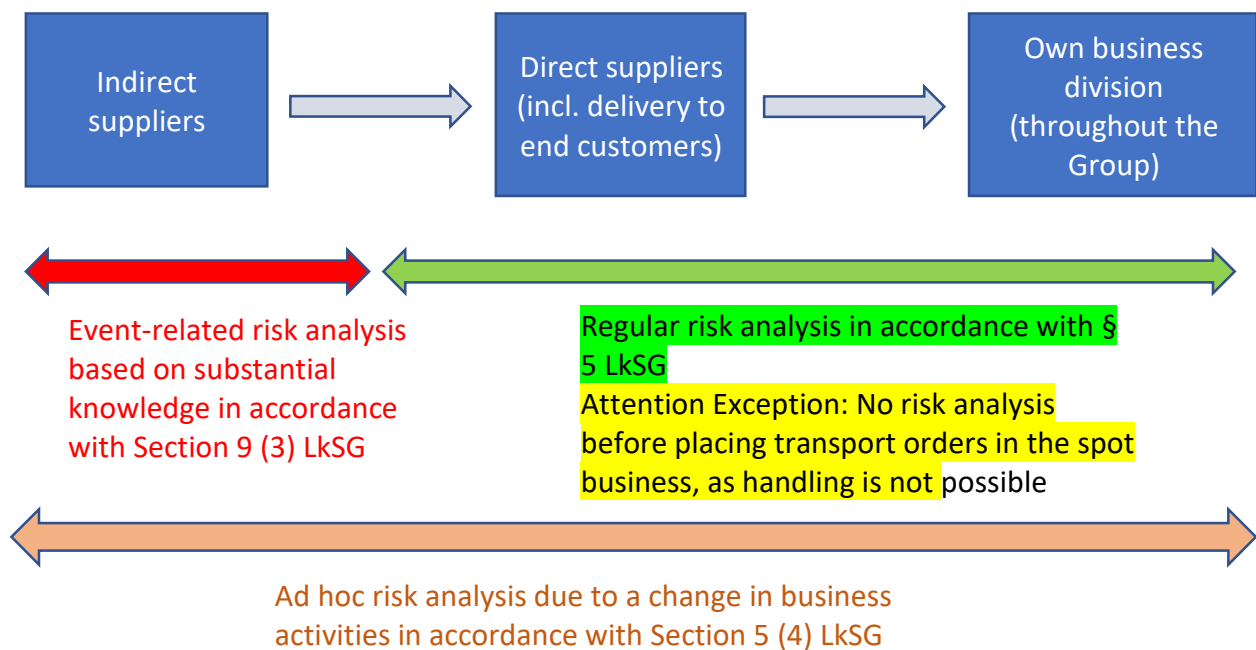


The exchange between the areas affected by the LkSG takes place in good time before new business relationships are established. Mutual involvement is integrated into both the procurement process and the RFQ-to-handover process. In addition, the departments listed in the diagram regularly exchange information in order to ensure that the strategic and operational focus of risk management is always up to date and can be adjusted promptly if necessary.

3.2. Steps and methods of risk analysis

As part of our risk management, an appropriate risk analysis is carried out once a year with regard to human rights and environmental obligations. The analysis is initially limited to examining our own business areas and direct suppliers. If the risk in the supply chain changes as a result of new products being introduced or new business areas being opened up, the risk analysis must also be carried out on an ad hoc basis. In the case of violations by indirect suppliers, however, we only have to act if there are actual indications that a violation of a human rights or environmental obligation is possible.

Figure Risk analysis:



3.3. Which topics need to be covered in the risk analysis?

It is important to note that the risk analysis in accordance with the LkSG does not take into account how human rights and environmental risks affect the business success of the LGI Group and, for example, how they result in financial costs or reputational damage.

Instead, the LkSG calls on us to adopt a different perspective. The focus is on the interests of our own employees, the employees within the supply chain and those who may otherwise be affected by our economic activities or by a company in our supply chains.

The aim is therefore to determine whether and to what extent these persons (groups) or the environment could be harmed by the company's own business activities and/or business relationships with suppliers.

The LkSG covers the following human rights and environmental risks:

Human rights risks in accordance with Section 2 (2) LkSG	Environmental risks in accordance with Section 2 (3) LkSG
Violation of the prohibition of child labor (No. 1 and 2)	Violation of a prohibition resulting from the Minamata Convention (No. 1-3)
Violation of the prohibition of forced labor and all forms of slavery (No. 3 and No. 4)	Violation of the ban on the production and/or use of substances within the scope of the Stockholm Convention (POPs) and non-environmentally sound handling of waste containing POPs (No. 4 and No. 5)
Disregard for occupational health and safety and work-related health hazards (No. 5)	Violation of the ban on the import and export of hazardous waste within the meaning of the Basel Convention (No. 6-8)
Disregard of freedom of association, freedom of association and the right to collective bargaining (No. 6)	
Violation of the prohibition of unequal treatment in employment (No. 7)	

Violation of the prohibition of withholding an appropriate wage (No. 8)	
Destruction of the natural basis of life through environmental pollution (No. 9)	
Unlawful violation of land rights (No. 10)	
Violation of the prohibition on hiring or using private/public security forces that can lead to impairments due to lack of instruction or control (No. 11)	
Violation of the prohibition of an act or omission in breach of duty which is directly capable of impairing a protected legal position in a particularly serious manner and the unlawfulness of which is obvious on a reasonable assessment of all the circumstances in question (No. 12)	

3.4. Creating transparency

A fundamental prerequisite for the implementation of an appropriate risk analysis is the creation of transparency regarding the nature and scope of our own business activities and business relationships in the supply chain. With reference to the requirements of the LkSG, we as LGI are required to compile basic information on the structure of our own company, the procurement structure and our own supply chains and business relationships, and to make successive efforts to increase transparency in the supply chain. This includes the following information:

Corporate structure	• Name and sector of all Group companies over which a controlling influence is exercised. • For each of the Group companies: • Contact person (name and e-mail address) • Operating sites/locations (by country) • Product types/type of service(s) • Production steps/activities performed (aggregated) • Sales volume • Number of employees
Procurement structure	• Procurement categories (products, raw materials, services) • Definition of procured product types and services per category • Sourcing countries per category • Number of direct suppliers per procurement category and country • Order volume per procurement category in the last financial year (percentage share of total volume)
Based on this: type and scope of business activity	• Overview of the most important services in terms of sales • Aggregated visualization of the associated corporate supply chains and key business relationships (by procurement or order volume) • Overview of current countries of operation and procurement

Increasing transparency with suppliers	• Company name • Contact person (name and e-mail address) • Industry • Country of origin, operating or production sites • Parent company, if applicable • Product type / type of service • For direct suppliers: order volume in the last financial year • Number of employees • Existence of employee representation
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3.5. Risk analysis in own business operations

Step 1:

- Abstract analysis of sector-specific and country-specific risks in order to identify companies/locations with an increased risk disposition.
- Identification of those potentially affected by the risks, including particularly vulnerable groups of people.

Step 2:

- Concrete identification of risks and their weighting and prioritization based on the criteria specified in Section 3 (2) LkSG:
- Nature and scope of business activities
- Probability of occurrence
- Severity of the injury according to degree, number of people affected and irreversibility
- Possibilities of influence
- Contribution to the cause of individual risks or risk areas

Step 3:

- Successive expansion of the specific risk assessment to all companies/locations in our own business division.

3.6. Risk analysis for direct suppliers

Step 1:

- Abstract consideration of industry-specific and country-specific risks in order to identify (high-) risk suppliers.
- Identification of those potentially affected by the risks, including particularly vulnerable groups of people.

Step 2:

- Concrete identification of risks and their weighting and prioritization based on the criteria specified in Section 3 (2) LkSG:
- Nature and scope of business activities
- Probability of occurrence
- Severity of the injury according to degree, number of people affected and irreversibility
- Possibilities of influence
- Contribution to the cause of individual risks or risk areas

3.7. Event-related risk analysis

Step 1:

- Abstract consideration of sector-specific and country-specific risks for the purpose of initial verification of actual indications of a violation of human rights or environmental obligations or for the purpose of verifying changed or added risks.
- Identification of those potentially affected by the risks, including particularly vulnerable groups of people.

Step 2:

- Concrete identification of risks and their weighting and prioritization in comparison with the results of the regular risk analysis based on the criteria specified in Section 3 (2) LkSG:
- Nature and scope of business activities
- Probability of occurrence
- Severity of the injury according to degree, number of people affected and irreversibility
- Possibilities of influence
- Contribution to the cause of individual risks or risk areas