

# **Social Responsibility and Human Rights Policy Statement**

**(April 2024)**

## Content

Social Responsibility and Human Rights Policy Statement .....	4
Our Guiding Principles .....	5
BayWa Social Compliance Management System .....	7
Reporting and Monitoring .....	12
Effectiveness Review .....	12
Next Steps .....	13
Contact, Questions and Information.....	13
Other .....	13
Steering and Governance .....	13

**Dear employees,  
dear customers,  
dear business partners and suppliers,**

the responsible treatment of people, the environment, animals and resources is a cornerstone of our self-image. As an international trading group, BayWa is deeply involved in global supply chains. We therefore see it as our duty to take economic, ecological and social responsibility along these supply chains as well. Respect for human and environmental rights is a fundamental



component of responsible corporate governance. Our aim is to ensure that these rights are respected in all our Group companies as well as by our partners and suppliers.

With the following Policy Statement, we clearly commit ourselves to respecting human and environmental rights. The guiding principles of our actions are specified in our internal **Code of Conduct**. The **Supplier Code of Conduct** formulates the requirements we place on our business partners in the supply chain. The specific measures for protecting human and environmental rights are laid down in the BayWa Social Compliance Management System (SCMS). It aims to identify and minimise human rights and environmental risks across the Group in our own business operations and in BayWa supply chains.

We are convinced that our Group can only be successful in the long term if we live up to our corporate responsibility to respect human and environmental rights locally and globally. This Policy Statement is an important step in this direction. Every one of us is called upon to apply the contents of this Policy Statement in practice and thus move BayWa towards a more sustainable future at all levels.

We thank you for your support!

Your Board of Management

Handwritten signature of Marcus Pöllinger in black ink.

Marcus Pöllinger

Handwritten signature of Andreas Helber in black ink.

Andreas Helber

Handwritten signature of Dr Marlen Wienert in black ink.

Dr Marlen Wienert

Handwritten signature of Reinhard Wolf in black ink.

Reinhard Wolf

# Social Responsibility and Human Rights Policy Statement

BayWa has been providing services and products essential to human needs such as food, construction and housing, energy and mobility for over 100 years. In this context, the responsible treatment of our employees, customers, suppliers and natural resources has been firmly anchored in our corporate activities for generations. In our opinion, economic success is only possible in the long term if we also take responsibility for the social and ecological impacts of our business activities.

This policy statement is based on the principles of the following human rights standards and guidelines:

- International Bill of Human Rights including the relevant rights from the UN Civil and Social Covenants
- The International Labour Organisation's (ILO) fundamental principles and rights at work
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- UN Convention on the Rights of the Child
- UN Convention on the Elimination of All Forms of Discrimination Against Women
- UN Guiding Principles on Business and Human Rights and their implementation through the National Action Plan for Business and Human Rights (NAP)
- Paris Climate Accords
- Minamata Convention
- Basel Convention
- Stockholm Convention
- Principles of the UN Global Compact

This Policy Statement and the two BayWa Codes of Conduct summarise the principles of our actions and the requirements for the actions of our business partners. In doing so, they take into account the contents of the above-mentioned standards and guidelines.

Every individual is called upon to apply and implement these principles and make our joint business activities more sustainable. Our goal is to ensure that applicable human and environmental rights are respected both at a group-wide level as well as by our suppliers.

## Our Guiding Principles

### **Respect for human rights**

Our brand core value of “unity” is deeply rooted in BayWa’s identity. For us as a company, this means that people are always at the center of our actions and that we always assume responsibility for the protection of human rights. We therefore consider the globally applicable regulations for the protection of human rights to be fundamental, universally valid requirements. This includes, first and foremost, the prohibition of child labour and forced labour.

### **Mutual respect and integrity**

We treat each other fairly and respectfully and treat colleagues, business partners and customers as we would like to be treated ourselves. We condemn any form of harassment (for example bullying or sexual harassment), welcome and accept different opinions and attitudes and respect that all colleagues have the same personal rights and responsibilities. We promote a fair and tolerant environment where every individual feels a sense of belonging and acceptance and has the opportunity to develop their full potential.

### **For equal opportunities - against discrimination**

As an internationally operating group, we naturally respect the personal rights of our employees, business partners and customers. We oppose any kind of discrimination, for example on the basis of ethnic origin, religion, ideology, disability, age, sexual orientation, gender or other personal characteristics. Moreover, we also recognise and acknowledge the value that each individual has for BayWa and the contribution they make to our company. We recognise the importance of attracting and retaining employees from diverse origins and backgrounds. Because diversity in the workforce leads to enrichment – with new ideas, perspectives and experiences.

### **Commitment to occupational health and safety**

We observe applicable laws to ensure fair working conditions, including adequate pay and regulated working hours. For BayWa, the people who work for the company are its most important success factor. This is yet another reason why occupational health and safety, as well as health promotion and prevention have a long-standing tradition with us. The workplaces of our employees comply with current safety standards. BayWa supports the physical and mental well-being of its employees by implementing preventive occupational safety measures and a health management system.

### **Conscious use of resources**

We are aware of our responsibility towards the environment and the welfare of people and animals in all our decisions and activities. That is why we take care to use natural resources intelligently and economically and why we continuously work towards minimising the possible harmful effects of our products and processes on the environment and climate. We support our customers and partners in actively addressing global sustainability challenges and empower them to conserve resources through our products.

### **Responsibility in the supply chain**

For our business activities, we need raw materials, technical products, components, packaging materials and services from reliable suppliers. We work with them in partnership. The minimum standards for this partnership are documented in the **BayWa Supplier Code of Conduct**. In addition, all suppliers are required to implement these binding ethical, social and environmental standards in their up-stream value chains.

### **Social responsibility**

We assume corporate and social responsibility. BayWa makes a special contribution towards this undertaking with the BayWa Foundation. The purpose of the foundation is to promote science and research, education and training. It thus pursues exclusively and directly charitable goals. The BayWa Foundation provides valuable help by implementing sustainable educational projects in the fields of healthy nutrition and renewable energies in Germany and abroad. The aim is to convey knowledge and promote education in order to improve people's quality of life in the long term. Among other things, the BayWa Foundation facilitates the exchange of ideas between science and business by awarding scholarships. Beyond the Foundation's activities, BayWa ensures integration into its social environment through its commitment to sports, education and social affairs, among other things. Donations from the Foundation are never made to gain business advantages and are not made to persons or organisations that could damage BayWa's reputation.

### **Ethical business conduct**

We respect and observe the applicable laws as well as the Group's internal regulations. We are committed to complying with the regulations and laws applicable in all countries in which BayWa operates. In dealing with our customers, suppliers, competitors and business partners, we do not enter into any agreements or transactions that are unlawful in any way. Violations of applicable laws and internal regulations will not be tolerated and will be sanctioned accordingly. These include, among other things, compliance with competition and antitrust requirements as well as anti-corruption laws, money laundering prevention, compliance of foreign trade law and compliance with tax regulations.

# BayWa Social Compliance Management System

The goals and requirements formulated in the BayWa Guiding Principles are managed with the Social Compliance Management System (“SCMS”). The SCMS is based on the five elements of human rights due diligence according to the UN Guiding Principles on Business and Human Rights and the requirements of the German National Action Plan for Business and Human Rights, as also set out in the German Act on Corporate Due Diligence in Supply Chains (LkSG).



- 1. Risk analysis**  
Identification, assessment and prioritisation of human rights and environmental risks
- 2. Prevention**  
Measures to minimise and avoid risks in the own business unit, the direct and indirect supply chain
- 3. Complaints procedure**  
Access for third parties, suppliers and employees to an internal or external complaints procedure
- 4. Remedial action**  
Take appropriate remedial action after a risk has been identified to prevent, stop or minimise injury
- 5. Documentation and reporting obligation**  
Annual reporting to the public on identified human rights and environmental risks, measures and assessment of their effectiveness

The aim of the BayWa SCMS is to identify and minimize human rights and environmental risks within its own business unit, including subsidiaries that fall under the controlling influence of the parent company and in the supply chains. In this way, BayWa aims to protect the people affected, the company and its reputation, the Board of Management and all employees.

To achieve this goal, appropriate measures are defined by the Corporate ESG Compliance department in cooperation with the relevant corporate divisions. The measures are implemented by way of a circular approach involving "prevention", "detection" and "response", with a special focus on prevention.

## Prevention

### Take measures to prevent social compliance violations

In order to develop our risk profile, we carry out **risk analyses (1)** on a regular basis which allow us to classify and prioritise risks based on country and sector-specific risk assessments as well as our influence over suppliers.

Based on the results of the risk analyses and the risks identified therein, Corporate ESG Compliance develops **preventive measures (2)** to minimise risks in close consultation with the purchasing functions, Corporate Sustainability and other internal stakeholders. These measures are factored both into our internal purchasing processes and are implemented in the context of our business relationships. They include:

- Training all employees on the legal requirements regarding human and environmental rights.
- Requiring our suppliers to comply with the requirements set out in the Supplier Code of Conduct, complete the associated e-learning and address the requirements appropriately in their supply chains.
- Continuously developing the two Code of Conduct, the Compliance Guideline and other compliance-relevant requirements in line with current events and lessons learned.
- Assessing the performance of our suppliers regarding environmental and social criteria which we then take into account when considering suppliers for future procurement.

BayWa also participates in industry initiatives. The aim of these activities is to ensure continuous positive development along the entire value chain as part of a multi-stakeholder approach. This commitment is also reflected in our company's numerous certifications.

## Detection

### Detect social compliance violations

BayWa has been using a **complaints procedure (3)** with various channels since 2015 – giving employees, business partners and external third parties the means to report suspected human rights and environmental violations and the opportunity to gain remedial assistance.

These channels include our anonymous and web-based whistleblowing system **CompCor**. This system is open to all employees, business partners and third parties who wish to report breaches against this Policy Statement. Reports are processed by BayWa's Corporate ESG Compliance Team, together with the necessary business units. The whistleblowers are informed of the processing and the outcome. In all measures, we take care to safeguard the legitimate interests of suppliers and business partners, as well as the rights of employees, particularly regarding the protection of data and business secrets. If a (suspected) case is reported in good faith, the whistleblower – regardless of whether the suspicion is ultimately confirmed or not – does not have to fear any disadvantages. No retaliation or discrimination will be tolerated.

Alternatively, anyone directly or indirectly affected by breaches of this Policy Statement can contact BayWa's **Corporate ESG Compliance** and **Corporate Compliance** departments directly. Employees of the BayWa Group in Germany also have access to an external advisor.

## Response

### Respond clearly and consistently to social compliance violations

Identified or reported risks are thoroughly reviewed. Necessary steps to minimise or eliminate the risks are initiated together with the responsible management functions of the Group companies, such as the purchasing departments, Corporate HR and Corporate Audit (**remedial measures (4)**).

We require our suppliers to cooperate in educational measures. We expect them to inform potentially affected parties of their rights and point out the possibility of reporting violations directly to BayWa.

If a suspected violation is confirmed, appropriate measures will be taken. These include, but are not limited to:

- Internal investigations by Corporate ESG Compliance and Corporate Audit
- Investigations by independent organisations
- Written warnings
- Training and consulting
- Prevention measures
- The termination of the business relationship in serious cases

The objectives and defined tasks of Corporate ESG Compliance as well as the differentiation from other departments are regularly reviewed internally for appropriateness and **documented on** an ongoing basis (**5**).

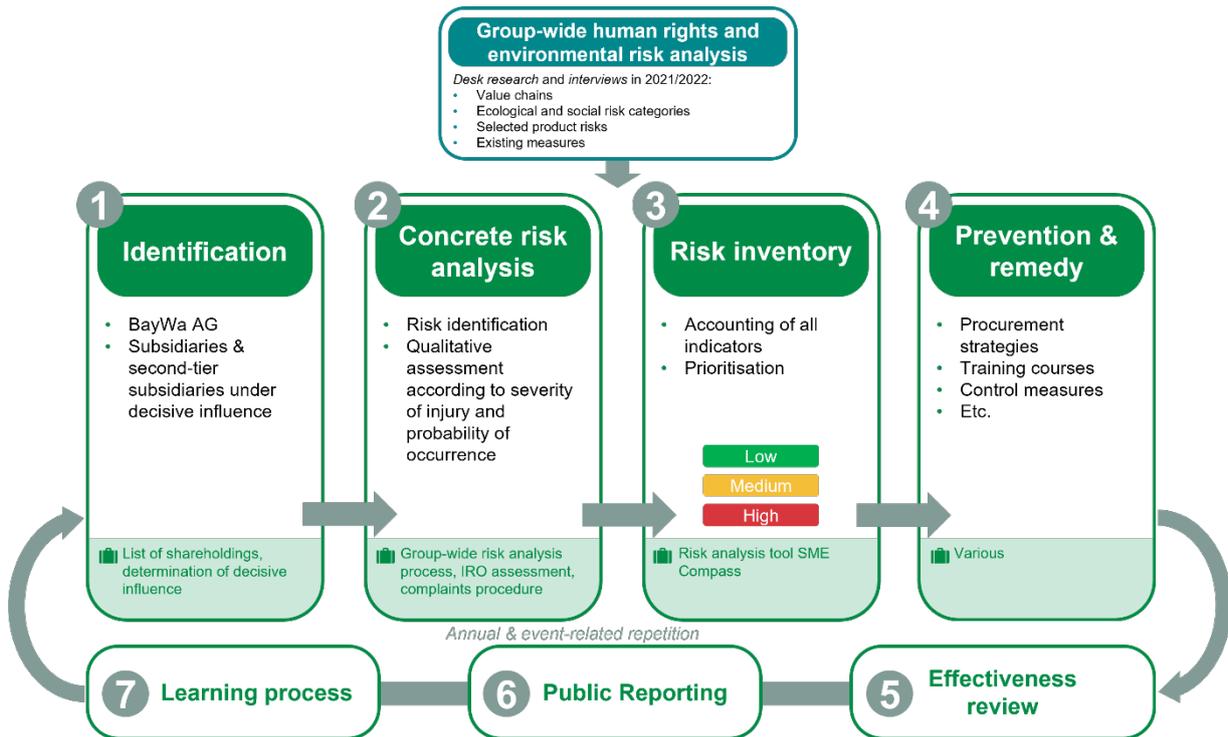
In addition, an effectiveness review of the SCMS is regularly conducted by the Human Rights Officer.

## Risk analyses

Regular risk analyses serve to identify, assess and prioritise environmental and human rights risks at an early stage and ensure permanent awareness with regard to possible social and environmental violations.

In order to present BayWa's risk profile more transparently, separate risk analyses are carried out for BayWa AG, including its subsidiaries and second-tier subsidiaries, and direct suppliers.

## Risk analysis of the own business area



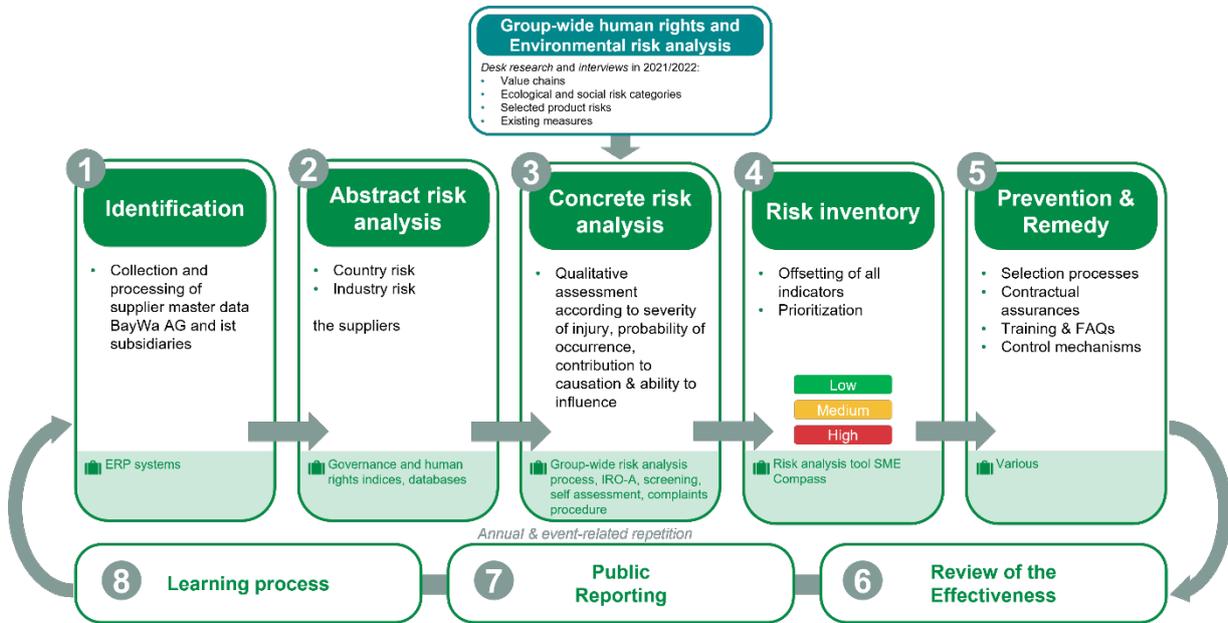
The data basis for the 2023 risk analysis is the BayWa group-wide risk analysis carried out in 2021/2022, which contains detailed information on 17 social and environmental risk categories. The group-wide risk analysis allowed for a precise analysis of the human rights and environmental risks in our own business area and formed the data basis for the IRO assessment (Impacts, Risks and Opportunities) which took place in 2023 as part of the preparations for reporting in accordance with the CSRD (Corporate Sustainability Reporting Directive). All of BayWa Group's sustainability managers as well as various stakeholders dealing with the environment, customers and investors were involved in the IRO assessment.

The results of the IRO assessment, with a particular focus having been placed on BayWa's impacts on the environment and society, were then presented to the risk managers for amendment and validation in the group-wide risk analysis process. The overall result was then incorporated into a risk inventory and, when necessary, supplemented with risks acquired from the complaints procedure. The evaluation of the risks in the IRO assessment, as well as the risks and potential human rights and environmental violations contained in the risk inventory follows the recommendations of the "SME Compass" risk analysis tool. The "SME Compass" is an aid offered by the German government's Business and Human Rights Helpdesk. This tool assesses risks according to the severity of the violation (defined by scale, scope and irreversibility) and the probability of occurrence. BayWa uses the risk inventory to form the basis for preventive and remedial measures to be taken regarding human rights and environmental risks identified.

In the 2023 financial year, 67 human rights and environmental risks were identified and assessed in our own business area in accordance with the above process. The majority of these risks can be assigned to the following categories: Environmental pollution (15), lack of occupational health and safety (14), GHG emissions and climate change (14), health risk for the population (9) and loss of biodiversity (4).

Depending on the degree of risk, prevention and mitigation measures were adapted individually. Possible preventive and remedial measures range from the development and implementation of suitable procurement strategies to training and further education concepts and risk-based control measures. The aim of all measures is to prevent future risks and eliminate existing risks as early as possible.

### Risk analysis of direct suppliers



In order to identify and prioritize human rights and environmental risks for direct suppliers, all direct suppliers of BayWa AG, as well as those of its subsidiaries and sub-subsidiaries that fall under BayWa AG's decisive influence were assessed "abstractly" according to country and industry risks. Country risks are determined based on human rights, governance and environmental indices; individual industry risks are determined with the help of various databases and industry studies. The results of the abstract risk analysis were categorised into five risk levels (very low, low, medium, high and very high risk). Direct suppliers whose sales were in the top 90 percent of the procurement volume of BayWa AG or the respective subsidiary and who have an increased country and industry risk were invited to answer supplier self-assessment questions.

The subsequent concrete risk analysis process for direct suppliers roughly follows the analysis process for the company's own business area. This risk assessment is based on the results of the IRO assessment, the group-wide risk query process, the complaints procedure, the adverse media monitoring and the supplier self-disclosures.

The risk analysis considers the probability of occurrence of possible breaches and their severity on a case-by-case basis, which is identical to that of the company's own business area and is based on the scale, scope and irreversibility of the breach. In addition, BayWa's involvement in the causation of the breach is determined manually by Corporate ESG Compliance.

A suppliers' overall risk regarding human rights and environmental violations is determined by a final calculation of all indicators and mapped in a risk inventory. It serves Corporate ESG

Compliance as a basis for routine priority audits. The prioritization also determines the individual adaptation of preventive and remedial measures.

In the 2023 financial year, 412 human rights and environmental risks were identified in the supply chain. These are assessed in accordance with the above process. The majority of these risks can be assigned to the following categories: Loss of biodiversity (69), lack of occupational health and safety (60), public health risk (52), pollution (51), and GHG emissions and climate change (48).

Prevention and remediation measures range from contractual assurances of compliance with the Supplier Code of Conduct regulations to audits and control mechanisms to training and quick checks on the requirements of the LkSG. The aim of the measures is to prevent and, if necessary, remedy the violations and to raise awareness among suppliers.

## Reporting and Monitoring

We reported on the planned and implemented preventive measures as well as on the implementation and the result of corresponding remedial measures in the LkSG report in accordance with §10 (2) LkSG, which is available in the [Download Center](#) of BayWa AG as of May 1, 2024. We monitor our progress with the help of key metrics. Finally, we critically examine the results of the aforementioned measures. The insights gained are documented and serve to improve the risk management system.

## Effectiveness Review

Every year, social compliance focal points (human rights, environmental rights) are examined in an independent review. The appointed Human Rights Officer initiates these audits, which are conducted by Corporate Audit. The audits are planned in consultation with the Chief Compliance Officer and approved by BayWa's Board of Management. The audits with a focus on social compliance include:

- The annual audit of the preventive and remedial measures according to §§ 6 para. 5, 7 para. 4 LkSG as well as the complaints procedure according to §8 para. 5 LkSG.
- Audit of the subsidiaries / business units with regard to social compliance risks and the effectiveness of measures taken to prevent environmental and human rights violations

In 2023, the structure and responsibilities of the SCMS and the full implementation of the complaints procedure were audited by Corporate Audit. The organizational structure and the complaints procedure were also audited by the German Federal Office for Economic Affairs and Export Control (BAFA). Neither audit resulted in any significant findings. A review of the risk analysis carried out will follow in 2024.

The results of the dedicated compliance audit are communicated to Corporate ESG Compliance in the form of a written report.

## Next Steps

As the challenges for companies to respect human and environmental rights are constantly changing, BayWa will review this declaration of principles on an ongoing basis to ensure that it is up to date and effective. Priority reviews based on industry and country risks are planned for 2024, both in our own business area and along the supply chains

## Contact, Questions and Information

Questions and comments regarding this Policy Statement or other human rights-related issues can be sent by email to [esgcompliance@baywa.de](mailto:esgcompliance@baywa.de).

Information on violations of this Policy Statement can anonymously be reported to BayWa at any time with the digital whistleblower system (**Compcor**).

## Other

This Policy Statement will be reviewed and revised regularly and on an ad hoc basis when, for example: the risk analysis has been carried out and its results require a revision of the Policy Statement; when entering new business areas or markets; before strategic decisions are made or before changes are made to existing business activities.

## Steering and Governance

This Policy Statement was developed by Corporate ESG Compliance and adopted by the Board of Management as it forms the basis for the implementation of the risk management system for the BayWa Group in the form of a Social Compliance Management System. Furthermore, it ensures that all business units and subsidiaries in which BayWa holds a majority stake are aware of their own responsibility to comply with human and environmental rights.