



## DECLARATION OF PRINCIPLES ON HUMAN AND ENVIRONMENTAL RIGHTS

### 1. LUDWIG SCHOKOLADE'S COMMITMENT TO HUMAN AND ENVIRONMENTAL RIGHTS

#### 1.1. HUMAN RIGHTS

Respect for human rights is a matter of highest principle for the Ludwig Schokolade GmbH & Co. KG, a member of the KRÜGER GROUP. We act in accordance with human rights based on the Universal Declaration of Human Rights (1948) and expect our business partners to do the same. We are also committed to comply with the United Nations Guiding Principles on Business and Human Rights (2011) and the corporate responsibility set out therein. In addition, Ludwig Schokolade has committed itself to comply with the Base Code of the Ethical Trade Initiative (ETI).

#### 1.2. ENVIRONMENTAL RIGHTS

As a company operating in the food industry, a responsible treatment of the environment is essential for us. In particular, this includes continuously and systematically reducing the negative environmental impact of our business activities as well as respecting land use rights.

### 2. RISK MANAGEMENT AT LUDWIG SCHOKOLADE

To implement and achieve these objectives and commitments in our day-to-day operations, a risk management system has been set up for Ludwig Schokolade to monitor and continuously improve compliance with human and environmental rights. This risk management system is subject to ongoing monitoring and will be adapted in the future based on new findings.

The basis of the risk management process is an ongoing risk analysis both for our own business units and supply chains. Even before the LkSG came into force, our production sites were voluntarily evaluated on a regular basis by recognized institutions (e. g. SMETA or EcoVadis) with regard to their handling of human and labor rights, occupational safety, health, business ethics and environmental protection. All business units within the KRÜGER GROUP are recorded and compared using an internal monitoring system.

In order to identify risks in our supply chain, we categorize our suppliers according to the risks that are to be expected based on the country and industry they are active in. Prioritized suppliers are evaluated in detail by an external provider. For example, compliance with human and environmental rights and the existence of certifications and audits from recognized institutions are queried from suppliers using self-disclosure questionnaires. In addition, prioritized suppliers are regularly reviewed using AI-supported media screening. Any risks identified in this process are communicated to the responsible employees of Ludwig Schokolade.

The management has appointed the monitoring of the risk management to a human rights representative. The human rights representative is supported at the KRÜGER GROUP level by a project team consisting of employees from the legal, sustainability, human resources and purchasing departments.

To avoid violations of human and environmental rights preemptively, Ludwig Schokolade operates according to a group-wide Code of Conduct introduced in 2015. This Code of Conduct applies not only to



our employees but also to our suppliers by way of a reference in the Ludwig Schokolade's General Terms and Conditions. Committees from the relevant departments work on developing improvement measures based on the internal risk analysis.

The highest possible degree of transparency is required to prevent risks in the supply chain. To achieve this, we are adapting our internal processes to gain an even deeper understanding of the origin of our raw materials and their further processing. For our most important raw materials, we are gradually increasing the quota of certified goods. This is an important measure to ensure responsible sourcing all the way back to the origin of the value chain. Recognized certifications, such as the Rainforest Alliance standard, help address human rights violations such as child labor, low wages, poor working conditions and discrimination. In addition, we are involved in industry initiatives such as the Forum Nachhaltiger Kakao e. V. to remedy shortcomings in the cocoa industry.

Responsible supply chains can only be realized together with our suppliers. As a long-standing SEDEX member, we require our suppliers to comply with the ETI Base Code. Going forward, we will increasingly include the individual risk assessment of suppliers in the selection of our business partners. Specifically, we will favor business partners who act in an ecologically and socially responsible manner. An established escalation protocol defines how to proceed in the event of a violation of human or environmental rights. The same applies for suppliers with a consistently high-risk assessment.

In addition to the aforementioned measures for the identification of risks for human and environmental rights, we have created a communication channel by implementing a whistleblowing tool to enable third parties to inform us of risks in our business units or supply chain. Such reports can be submitted - anonymously - via the link <http://www.krueger-group.com/whistleblowing>. Any report will be forwarded to the project team and necessary measures to rectify any issue will be taken.

The main risks identified and the measures taken are consolidated in a risk report. This risk report will be kept for a period of at least seven years in accordance with legal requirements.

### **3. MAIN RISKS IDENTIFIED**

The majority of our direct suppliers are located in Germany, as well as in other European countries such as the Netherlands, France and Austria. In some of these countries and with regard to social risks, we have identified factors such as a lack of equal rights and inclusion. In some cases, additional factors such as poor working conditions, as well as corruption may become relevant.

From an industry perspective, our direct suppliers are mainly operating in wholesale, retail and the manufacturing industry, i. e. in the production of machinery or electrical equipment, food as well as packaging and other goods. Within these sectors, we have identified the following country-independent social risk factors: forced labor and human trafficking, poor working conditions and occupational safety, as well as lack of freedom of association and corruption. From an ecological perspective, the issues of waste and environmental pollution, biodiversity, deforestation and greenhouse gases are relevant.

The Ludwig Schokolade's supply chains are extensive and some of the raw materials we require are cultivated in the Global South. As such, our indirect suppliers are often based in countries in which human



and labor rights are either not or only inadequately guaranteed. Smallholder, agricultural and migrant workers, women and children are particularly exposed groups. The risks identified include, in particular, occupational safety and working conditions as well as forced and child labor.

Most of our indirect suppliers belong to the agricultural sector. According to the International Labor Organization (ILO), agriculture is one of the three most dangerous industries in terms of occupational accidents and illnesses. In addition, seasonal workers in agriculture not seldomly have to work under poor working conditions. The agricultural sector is also responsible for a high nitrogen output into the environment and almost a third of the global greenhouse gas emissions. The sector is also associated with changes in land use, e. g. from forest to agricultural land, the loss of biodiversity through the use of pesticides and, in some cases, high water consumption.

From a human and environmental rights perspective, we have identified the following raw materials - processed by the Ludwig Schokolade - as particularly risky: cocoa, nuts, vegetable fats and oils.

#### 4. HANDLING OF IDENTIFIED RISKS

As the management of the Ludwig Schokolade, it is our declared goal to reduce the material risks described in section 3 as much as possible and to do our part to ensure that such risks are ideally eliminated altogether. To this end, our employees are called upon to communicate even more clearly the expectations placed on them with regard to human and environmental rights when selecting our direct suppliers.

We have the clear expectation toward our direct suppliers to ensure compliance with human and environmental rights in their own business units and in the supply chain. This is already demanded of our business partners on the basis of the contractual agreements. In our General Terms and Conditions, the Code of Conduct and a LkSG agreement requested in certain individual cases, direct suppliers are required to uphold and honor human and environmental rights and to pass on corresponding obligations in the supply chain.

In case our business partners do not succeed in eliminating or at least significantly reducing identified risks, we will – if necessary – terminate the business relationship and continue to work with other business partners who can guarantee this to a sufficient extent. If a business partner experiences problems implementing the required measures, we are prepared to support the respective business partner at any time to the extent possible.



Marc Krüger  
Management Board



Dr. Guido Colsman  
Management Board

Bergisch Gladbach, 17.12.2024