

## Declaration of principles on respect for human rights and the environment



Respect for human rights and the environment is a fundamental component of responsible corporate governance at the Horst Brandstätter Group, with its PLAYMOBIL and LECHUZA business units.

Through our business activities, we aspire to make a sustainable contribution to strengthening human rights, enabling fair working conditions, promoting equal opportunities for people worldwide and protecting the environment. This includes, for example, occupational health and safety, freedom of association and fair pay. We condemn all forms of discrimination, child labor and forced labor. With this declaration of principles, we commit ourselves as an international company to respect human rights and environmental due diligence within our group of companies and also with our business partners and suppliers.

Compliance with **legal requirements** and high social standards is a matter of course for us. We also hold all partner and supplier companies to the requirements of the German Supply Chain Due Diligence Act and the planned European Supply Chain Act. The core labor standards of the International Labor Organisation, the UN Guiding Principles on Business and Human Rights of the United Nations (UN Global Compact) and the OECD Guidelines are our operating principles and part of our Code of Conduct. This Code of Conduct forms the basis for our social, ethical and ecological values for ourselves and our business partners. It formulates our requirements and expectations of our employees and suppliers. It also forms the basis for all of our business relationships along the supply chain. It applies to all direct business partners with the obligation to pass it on to their suppliers and to ensure compliance.

**The aim of the human rights strategy** is to prevent potential and actual risks to human rights and the environment and to end or minimize the extent of adverse violations. To achieve this goal, we have implemented appropriate measures in our own business area and in our procurement processes. Our own employees and the employees of our suppliers are at the center of every measure. However, the Horst Brandstätter Group is always particularly concerned to include and consider the interests of those potentially affected in all areas.

The Horst Brandstätter Group has established a comprehensive **risk management** with regard to human rights within its own business areas and their supply chain.

Our assessment evaluates the effect of our actions continuously, systematically and on a risk basis. Further we set priorities according to severity and potential impact and define suitable preventive and remedial measures.

We continuously, systematically and risk-based determine the effects of our actions, prioritise them according to severity and potential impact and define suitable preventive and remedial measures.

We subject identified risks to an appropriateness test as part of our risk management and increase our investigation efforts accordingly.

Efficient risk management process structures ensure the success of these measures and a continuous improvement process. We monitor the effectiveness of all risk management measures regularly, event-related and adjust where necessary. Our Risk management is a multi-stage process and is divided into the sub-processes risk analysis, preventive measures, complaint procedures, corrective measures, effectiveness check and corresponding documentation.

Our comprehensive supplier risk analysis is supported by the IntegrityNext platform and is carried out in several sub-steps. The platform enables a holistic assessment of our own business division and our direct suppliers with regard to environmental/social/governance (ESG) issues based on an abstract assessment of

country and industry risks, critical news monitoring and an evaluation of our suppliers' sustainability performance based on questionnaires. Social audits are an important element of the risk analysis - partners and suppliers within our product-relevant supply chain where potential risks have been identified are also obliged to carry out verifiable annual control audits in accordance with globally applicable social standards (e.g. ICTI, BSCI, SMETA).

The results of the risk analyses are continuously incorporated into the Horst Brandstätter Group's corporate decision-making processes with regard to internal business strategies as well as supplier selection and management. The risk analysis forms the basis for the identification of appropriate targets, preventive and corrective measures.

Transparency plays a key role here, which is precisely why we communicate openly about our due diligence activities, including the results of risk assessments in the supply chain and measures to minimize the risks identified.

LECHUZA products are almost exclusively manufactured in our own production facilities in Germany and PLAYMOBIL products are predominantly (approx. 90%) manufactured in production facilities in Europe. It goes without saying that we manufacture high-quality and safe products at all times, in compliance with high environmental and social standards throughout our entire value chain. The mere fact that PLAYMOBIL products are manufactured in Europe, with a few exceptions, is an exception in the toy industry and thus a clear statement of compliance with high European standards in all areas.

HBG has identified child and forced labour, working hours, fair wages, respect for freedom of association, discrimination and occupational health and safety as particularly **sensitive areas**. This relates to a small number of suppliers with whom we have a very long business relationship. Our Central Purchasing team is in constant contact with our suppliers to ensure compliance with HBG's ethical, social and environmental standards.

If risks are nevertheless identified, we can minimize or even eliminate them through our wide range of measures. All suppliers are subject to regular audits to ensure that the measures remain effective in the long term.

The monitoring of these suppliers and the requirement of annual on-site inspections in form of social audits according to recognized standards is indispensable and necessary to comprehensively assess and minimize the risk, derive appropriate measures and monitor their effectiveness. These requirements and procedures apply to the entire product-relevant supply chain from defined risk countries.

We ensure compliance with the human rights strategy internally through clear structures and **responsibilities**. The company management, including the heads of all divisions and operating units, are responsible for compliance with the declaration of principles at a strategic level. In the Horst Brandstätter Group, the Social Compliance Team supervises and monitors all operational processes and measures across functions and locations from the Environment, Sustainability, Legal, Purchasing, Human Resources, Supply Chain, Quality Management and Communications departments (and other specialist departments as required). The Social Compliance Team meets regularly to discuss current human rights-related topics and works on continuous improvement in all relevant business processes to ensure the best possible implementation of human rights due diligence.

The **company management** is informed at least once a year about the results of risk management and procedures for complying with due diligence obligations as part of an **annual report** in order to monitor developments, review measures and make strategic changes if necessary.

If we actually recognize risks in our business activities that have negative effects on human rights or contribute to them, the processes we have developed work to counter these risks efficiently. Appropriate **preventive measures** are a fundamental part of these processes.

**Grievance mechanisms** are suitable for identifying adverse effects at an early stage in order to prevent misconduct and respond appropriately to it. We therefore offer our employees and all business partners a protected whistleblower system that can be used to report unlawful behavior. We communicate our complaints procedure internally and publicly on our website and investigate all reported concerns confidentially. It aims to ensure a fair and transparent procedure that takes both the principle of proportionality for the person concerned and the protection of the whistleblower into account.

In addition to our **Code of Conduct**, which obliges our direct suppliers to comply with our human rights and environmental expectations, we have developed and implemented suitable **sustainability guidelines** for procurement. These specific purchasing practices and procurement strategies serve to preventively minimize or avoid identified risks.

Regular **human rights training** for our team ensures that we are well aware of the relevance of these issues. To ensure the implementation of our human rights and environmental expectations, we also offer **training** for our direct suppliers if required.

If we have actual indications that violations of our Code of Conduct are occurring at an indirect supplier, this supplier is immediately included in our risk management and risk analysis and further appropriate remedial and preventive measures are developed.

#### **Remedial measures**

If the violation is in our own business area, we will ensure that the violation is stopped immediately. If the violation is committed by one of our direct suppliers or by an actor in our supply chain, we endeavor to remedy and redress the situation appropriately. For example, we expect and demand that our suppliers immediately put an end to actual human rights violations. We develop a concept for ending the violation with defined deadlines and responsibilities together with the actor responsible. If necessary, we support our business partners in implementing the required measures. We reserve the right to pause or terminate the business relationship if the violation is not ended.

#### **Effectiveness test**

However, global circumstances and our business environment are constantly changing. We therefore review the effectiveness of all the measures described annually and event-related and adjust where necessary. Our established tools include comprehension checks following training in our own business area. In our supply chain, we check the effectiveness of measures through continuous analyses, risk-based audits and, if necessary, on-site visits. During audits and on-site visits, we attach particular importance to including the perspective of potentially affected persons. We see respect for human rights as an ongoing process in which we strive for continuous improvement.

**Documentation & Report**

The Horst Brandstätter Group documents all human rights due diligence activities in its own business area and in the supply chain and reports within the scope of its reporting obligations on our website [www.horst-brandstaetter-group.com](http://www.horst-brandstaetter-group.com) on current due diligence processes and the complaints procedure for human rights and environmental violations.

**Communication**

We communicate this policy statement internally to our employees and externally to our business partners and direct suppliers. It is publicly available on our website.

We are convinced that we can only be successful in the long term if we fulfill our corporate responsibility to respect human rights both locally and globally. This declaration of principles is another important step in this direction. Each and every one of us is called upon to put this declaration of principles into practice and move our company towards a sustainable future in every respect.

At the same time, we recognize that the observance of human rights and the enforcement of fair working conditions is also heavily dependent on states and countries adopting and implementing effective human rights and environmental regulations, measures and control mechanisms locally in order to fulfil their duty to protect.

No rights of individuals or third parties can be derived from this declaration of principles. The declaration of principles has no retroactive effect.

Zirndorf, December 2023