

Lieferkettensorgfaltspflichtengesetz (LkSG)

Supplier Information Package



DEUTSCHE BÖRSE
GROUP

LkSG Information Package

Goal of the document:

To establish a basic understanding of the Supply Chain Due Diligence Act as well as the environmental and human rights risks within Deutsche Börse Group (DBG). The document is intended to serve as a knowledge base and to show you how we, DBG, together with our suppliers, will fulfil the due diligence obligations of the LkSG along our global supply chain.



Caption



Additional Information



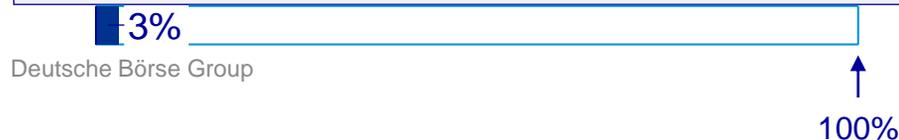
Explanation



Progress

 The document is structured along 3 modules.

 The "Lieferkettensorgfaltspflichtengesetz" (Act on Corporate Due Diligence in Supply Chains), which is often called the German Lieferkettengesetz (Supply Chain Act), will be abbreviated as LkSG in this document.



Agenda

1.	The new Supply Chain Act - Basics
2.	Human Rights Risks
3.	Environmental Risks



Modul 1: The new Supply Chain Act - Basics

Learning Objectives

Through this document, you will have gained an understanding of the following topics:

- ✓ The **most relevant requirements** of the LkSG with reference to the supply chain
- ✓ **How the LkSG defines a supply chain**
- ✓ **Legal assets** protected under the LkSG

Through this document, you will be able to answer the following questions:

- ✓ What due diligence is required with respect to **human rights**?
- ✓ What due diligence is required with regards to **environmental protection**?
- ✓ What is the **significance of the LkSG** for you **as a supplier** to DBG?



The new Supply Chain Act - Basics



On June 25, 2021, the **German Bundestag** approved the **LkSG** on corporate **due diligence in supply chains**. The announcement of the “Lieferkettensorgfaltspflichtengesetz” (LkSG) leads to new requirements for companies and their corporate due diligence obligations.

The **German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz)**, which was published in 2021, instructs companies, which engage in active business in Germany, to improve environmental protection and human rights in their supply chains. **DBG is obliged to comply** with the aforementioned due diligence requirements and to bear responsibility for the supply chain in accordance with the LkSG. **Human rights and environmental risks** must be taken into account in accordance with the LkSG and with regard to the rights holders concerned.

Scope of the law:



From 2023

All companies that employ at least 3,000 employees in Germany...



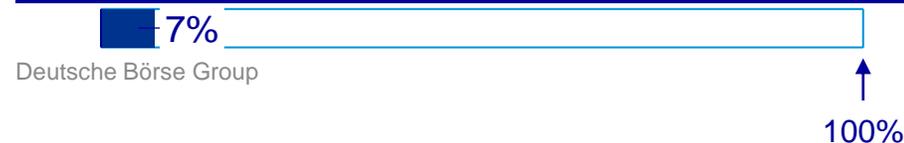
From 2024

All companies that employ at least 1,000 employees in Germany...

... regardless of the industry or where in the supply chain the company can be classified.



DBG will fall within the scope of the LkSG in 2023 and is obliged to fulfil due diligence obligations.



The new Supply Chain Act - Basics



On June 25, 2021, the **German Bundestag** approved the **LkSG** on corporate **due diligence in supply chains**. The announcement of the “Lieferkettensorgfaltspflichtengesetz” (LkSG) leads to new requirements for companies and their corporate due diligence obligations.

What is a Supply Chain?

The LkSG describes a supply chain that includes the company's own business unit, indirect and direct suppliers and that includes all services, merchandise and products. All steps necessary for the distribution and production of a service/product, both at home and abroad, are to be included in the supply chain. The supply chain includes all steps from the extraction of raw materials to the delivery of merchandise, services or products to end customers.



Die Deutsche Börse Group will fall within the scope of the LkSG in the future and is obliged to fulfill due diligence obligations.



Why is the LkSG so important? - The facts



Worldwide, **25 million people** are affected by forced labor¹



Globally, **160 million children** were engaged in **child labor** in 2020 (on coffee plantations, in leather and textile factories or in quarries)²



Supply chains are becoming increasingly **complex**, accounting for **90%** of environmental impacts in industry



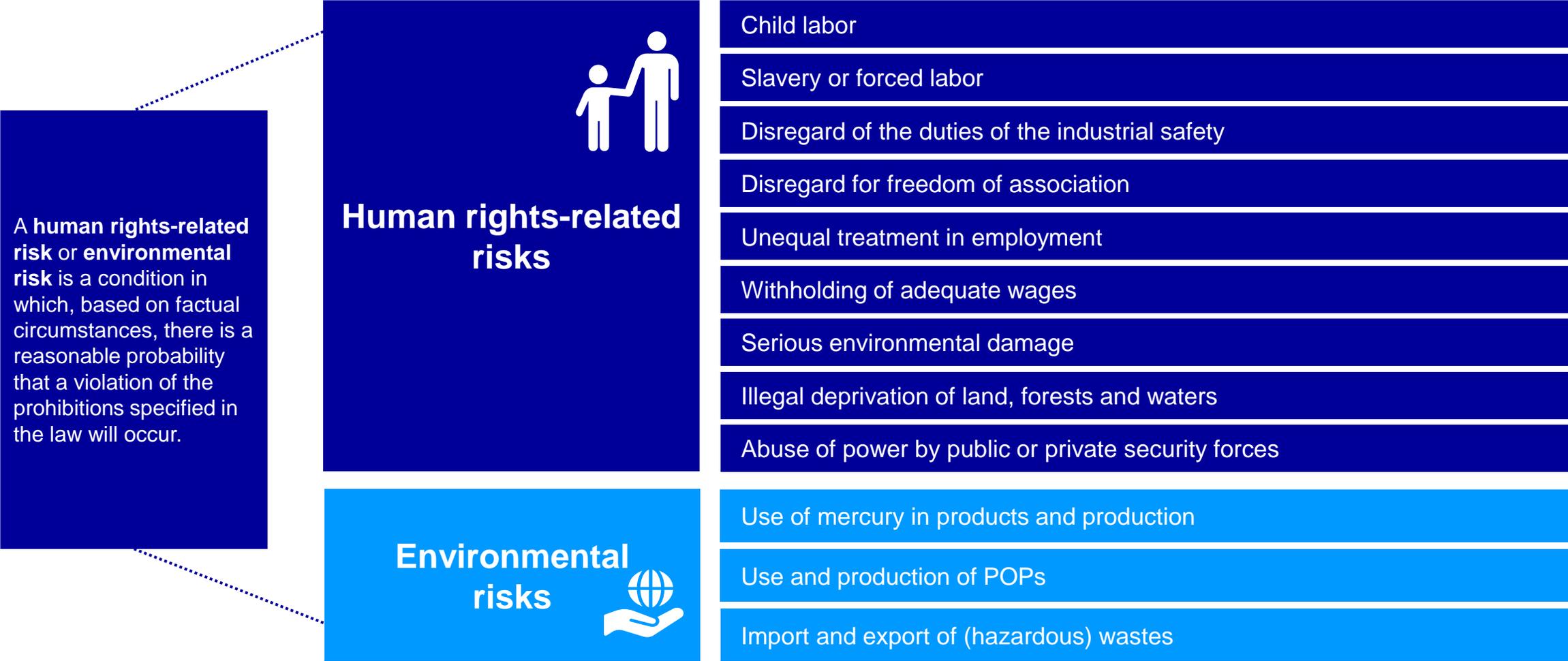
A large amount of companies are already addressing environmental and human rights risks in the supply chain. However, there is often a significant **need for trade to meet the requirements of the LkSG.**

12%

100%

¹ | Lieferkettengesetz | BMZ, ² | 10 Incredible Facts About Global Supply Chains and Sustainability | Symbia Logistics

Human rights & environmental risks addressed by the LkSG



The new Supply Chain Act - Basics

To what extent does the LkSG affect DBG's suppliers:

§ 5

Risk analysis

Analysis for the identification of risks at indirect and direct suppliers

§ 6

Preventive measures

Based on the results of the risk analysis, preventive measures are defined and implemented with DBG's suppliers.

§ 7

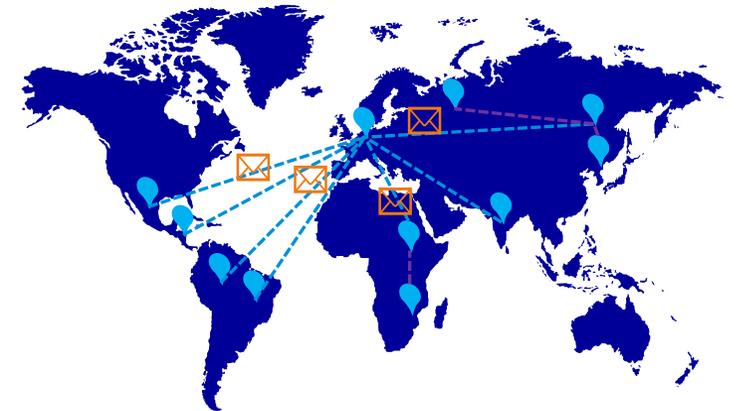
Remedial action

If breaches are imminent or occur, DBG must determine effective remedial actions so that the breach can be prevented, minimized or stopped.

§ 8

Complaints procedure

Complaint mechanisms must be established by DBG so that they are accessible to those affected, for example employees of a supplier. Escalation processes must be implemented in the event of anomalies.



16%

Consequences of not meeting DBG's expectations

DBG requires its **suppliers to comply** with the **obligations of the LkSG** and the **Supplier Code of Conduct**.

Failure to comply with DBG's human rights and environmental expectations may have the **following consequences**:

– Possible **general consequences**:

- Negative impact on **image and reputation**
- **Termination** of existing **business relationships**
- Poor classification in **sustainability ratings**

– Possible **consequences by DBG**:

- **Higher risk** rating according to risk analysis
- **Sanctions**
- **Termination** of the **contractual relationship**



22%

100%

Agenda

1.	The new Supply Chain Act - Basics	
2.	Human Rights Risks	
3.	Environmental Risks	



Module 2: Human Right Risks

Universal Declaration of Human Rights (UN):

Article 1 (Liberty, Equality, Solidarity)

All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and shall treat one another in a spirit of solidarity.



Human Rights

Every human being is entitled to the **basic freedoms and rights** from birth, which fall under the concept of human rights.

These rights apply regardless of origin, creed, or standard of living (the laws do not depend on gender, skin color, religion, ethnic origin, language, nationality, etc.).

Human rights range from the most fundamental - **right to life** - to rights that enable a life worth living, such as the right **to freedom, health, education, work or food**.



International symbol for human rights



Human Rights Violations

In order to detect and prevent human rights violations, you must inform yourself regularly and pass this information on to your work colleagues. If a **human rights violation** is **feared** in another area, at suppliers or in your work area, **please speak** to your responsible **supervisor!**



DBG considers **respect for human rights** to be a necessary prerequisite for all activities

30%

100%

Child labor



Human rights-related risks

- Child labor
- Slavery or forced labor
- Disregard of the duties of the industrial safety
- Disregard for freedom of association
- Unequal treatment in employment
- Withholding of adequate wages
- Serious environmental damage
- Illegal deprivation of land, forests and waters
- Abuse of power by public or private security forces



What does it mean?

The law prohibits the employment of children who are of compulsory school age according to the law of the place of employment. The age of employment may not be less than 15 years. UNICEF defines child labor as work for children who are too young, which is exploitative, mentally or physically damaging, or which prevents the schooling of children. This violates **children's rights** worldwide and robs the children concerned of their childhood.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct,
- Conducting social audits as well as regular control assessments,
- Control of proof of age of employees,
- Introduction of conflict mechanisms,
- Contractual definition of auditing rights and control clauses, etc.



Many **raw materials**, which are often associated with forced labor and **child labor**, include: Bricks, coffee, rubber, cotton, gold, stone, sandstone, granites and charcoal.¹



↑
100%

¹ List of Goods Produced by Child Labor or Forced Labor | U.S. Department of Labor (dol.gov)

Slavery or forced labor



Human rights-related risks

- Child labor
- Slavery or forced labor
- Disregard of the duties of the industrial safety
- Disregard for freedom of association
- Unequal treatment in employment
- Withholding of adequate wages
- Serious environmental damage
- Illegal deprivation of land, forests and waters
- Abuse of power by public or private security forces



What does it mean?

All forms of slavery, servitude, **oppression**, slave-like practices, employment of persons in forced labor or other forms of **domination** are prohibited by the law. Any labor/service performed by persons **under threats of punishment** is defined as **forced labor**. **Slavery**, on the other hand, involves dependency relationships in which **people are considered property/objects**.
 Examples: Human trafficking, debt bondage, forced prostitution, humiliation, and oppression through sexual or economic exploitation.



How can we prevent this in the supply chain?

- In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:
- Introduction of a code of conduct,
 - Conducting social audits as well as regular control assessments,
 - Control of proof of age of employees,
 - Introduction of conflict mechanisms,
 - Contractual definition of auditing rights and control clauses, etc.



Many **raw materials**, which are often associated with **forced labor** and child labor, include: Bricks, coffee, rubber, cotton, gold, stone, sandstone, granites and charcoal.¹



↑
100%

¹ List of Goods Produced by Child Labor or Forced Labor | U.S. Department of Labor (dol.gov)

Disregard of the duties of the industrial safety



Human rights-related risks

Child labor

Slavery or forced labor

Disregard of the duties of the industrial safety

Disregard for freedom of association

Unequal treatment in employment

Withholding of adequate wages

Serious environmental damage

Illegal deprivation of land, forests and waters

Abuse of power by public or private security forces



What does it mean?

The LkSG prohibits the disregard of the occupational health and safety obligations applicable under the local law of the place of employment, if this causes the **risk of occupational accidents** or work-related health hazards, in particular due to: Inadequate safety standards in the provision and maintenance of the workplace, the workplace and work equipment; the absence of appropriate protective measures in the case of hazardous substances; the absence of controls on working hours and rest breaks; and the inadequate training and instruction of employees.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct as well as conflict mechanisms.
- Implementation of social audits as well as regular control assessments,
- Introduction of working time rules & time recording systems with rest breaks,
- Instruction & training on occupational safety
- Verification that wages are not below the minimum wage in the place of employment,
- Contractual definition of auditing rights and control clauses, among others.



Occupational safety and accident prevention are fundamental in the world of work.

48%

100%

Disregard for freedom of association



Human rights-related risks

Child labor

Slavery or forced labor

Disregard of the duties of the industrial safety

Disregard for freedom of association

Unequal treatment in employment

Withholding of adequate wages

Serious environmental damage

Illegal deprivation of land, forests and waters

Abuse of power by public or private security forces



What does it mean?

All employees, associations and societies have the right to freedom of association, freedom of assembly or freedom of association; in the context of working life, employees and employers have the right to join associations or trade unions to represent their **social interests**. The LkSG prohibits disregard for freedom of association. All employees shall be granted freedom of activity in accordance with local law. This includes the right to strike and the right to collective bargaining.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct,
- Conducting social audits as well as regular control assessments,
- Actively informing employees about trade unions and labor associations
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses, etc.



Following the exclusion for freedom of association, ILO Convention No. 87 allows trade unions (in member countries) a **right of access to workplaces and other company facilities**, provided that this does not hinder the company's operations and does not damage company property.¹

52%

100%

Unequal treatment in employment



Human rights-related risks

Child labor

Slavery or forced labor

Disregard of the duties of the industrial safety

Disregard for freedom of association

Unequal treatment in employment

Withholding of adequate wages

Serious environmental damage

Illegal deprivation of land, forests and waters

Abuse of power by public or private security forces



What does it mean?

Unequal treatment includes any form of **unjustified disadvantage** or **discrimination** against employees on the basis of various aspects such as age, national and ethnic origin, social origin, health status, political opinion, gender, sexual orientation, mental or physical disability, religion or belief, unless it is justified in the requirements of employment. The LkSG prohibits unequal treatment in employment, which also includes the payment of **unequal remuneration** for work of equal value.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct,
- Conducting social audits as well as regular control assessments,
- Creation of an equality concept and its effective communication,
- Contractual definition of auditing rights and control clauses, among others.



One of the **main objectives** of the International Labor Organization (ILO) is the **elimination of discrimination in employment and occupation**.

56%

100%

Withholding of adequate wages



Human rights-related risks

- Child labor
- Slavery or forced labor
- Disregard of the duties of the industrial safety
- Disregard for freedom of association
- Unequal treatment in employment
- Withholding of adequate wages
- Serious environmental damage
- Illegal deprivation of land, forests and waters
- Abuse of power by public or private security forces



What does it mean?

Remuneration must be **commensurate with performance**, not everyone must receive the same wage, but work performance should be adequately compensated. The law prohibits withholding a fair wage; which is at least the **minimum wage** established under the applicable law and is otherwise determined by the law of the place of employment.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct,
- Introduction of conflict mechanisms,
- Verification that wages are not below the minimum wage in the place of employment,
- Contractual definition of auditing rights and control clauses, among others.



To take effective action against human rights abuses, it is imperative that companies **remove massive price pressure** and enable people in their supply chains **to receive living wages and incomes**.¹



↑
100%

¹ [Menschenrechte haben ihren Preis \(oxfam.de\)](https://www.oxfam.de)

Deprivation of the livelihood of the population (Serious environmental damage)



Human rights-related risks

Child labor

Slavery or forced labor

Disregard of the duties of the industrial safety

Disregard for freedom of association

Unequal treatment in employment

Withholding of adequate wages

Serious environmental damage

Illegal deprivation of land, forests and waters

Abuse of power by public or private security forces



What does it mean?

The LkSG prohibits causing **harmful soil contamination, water contamination, air contamination, harmful noise emission, or excessive water consumption** that significantly impacts the natural basis for obtaining and producing food, impedes or prevents a person's access to clean drinking water and sanitation, or adversely affects a person's health.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures are applicable, for example:

- Compliance with sustainability standards and certificates,
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses, among others.



2.2 billion people currently have **no access to safe drinking water** while **4.2 billion people** live with **inadequate sanitation**. Schools and health facilities are particularly affected.¹

63%

100%

Illegal deprivation of land, forests and waters



Human rights-related risks

- Child labor
- Slavery or forced labor
- Disregard of the duties of the industrial safety
- Disregard for freedom of association
- Unequal treatment in employment
- Withholding of adequate wages
- Serious environmental damage
- Illegal deprivation of land, forests and waters
- Abuse of power by public or private security forces



What does it mean?

The LkSG prohibits **unlawful eviction** and **unlawful deprivation of land, forests, and waters** in the acquisition, construction, or other use of land, forests, and waters, the use of which provides a person's livelihood.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures are applicable, for example:

- Compliance with sustainability standards and certificates,
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses, among others.



In 2021, **unlawful evictions** occurred in several countries, leaving tens of thousands of people homeless. More than 35,000 people were evicted from their homes in Kiryandongo, Uganda, for the establishment of individual agriculture.¹



↑
100%

¹ Amnesty International Report 2021/22: zur weltweiten Lage der Menschenrechte - Amnesty International

Abuse of power by public or private security forces



Human rights-related risks

- Child labor
- Slavery or forced labor
- Disregard of the duties of the industrial safety
- Disregard for freedom of association
- Unequal treatment in employment
- Withholding of adequate wages
- Serious environmental damage
- Illegal deprivation of land, forests and waters
- Abuse of power by public or private security forces



What does it mean?

The LkSG prohibits the use of private or public security forces to protect the entrepreneurial project if, as a result of inadequate instructions or control by the company in the activities of the security forces, the **prohibition of torture** and **cruel, inhuman or degrading treatment** is violated, **life** or **limb** is injured, or **freedom of association and freedom of association** are burdened.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid human rights violations, various preventive measures can be used, for example:

- Introduction of a code of conduct,
- Introduction of conflict mechanisms,
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses, among others.



The multi-stakeholder initiative "ICoCA" focuses on **ensuring human rights** in private security services. It implements the governance and oversight mechanism for the International Code of Conduct for Private Security Service Providers.¹



¹ [ABOUT US - ICoCA - International Code of Conduct Association](#)

DBG's human rights expectations of suppliers (1/2)

The **principles of social and ethical conduct** must be considered and implemented by DBAG's suppliers. Social responsibility requirements include:

- **Child labor** is prohibited
- All forms of **forced labor or slavery** are prohibited. To ensure that no situation of forced labor occurs, ILO indicators are used
- **Occupational safety** regulations and laws must be followed, as well as possible risks must be eliminated with the help of measures
- Workers should **not work more than 60 hours** per week, even if this is legal in some countries.
- **Freedom of association** should be granted



DBG's human rights expectations of suppliers (2/2)



The **principles of social and ethical conduct** must be considered and implemented by DBAG's suppliers. Social responsibility requirements include:

- **unequal treatment** in the workplace is prohibited. A working environment free of prejudice shall be provided and initiatives on integration and diversity shall be supported
- A **living wage package** that meets all minimum legal standards
- A prohibition on the **unlawful taking** of forests, waters, and land, as well as a prohibition on the **unlawful displacement** of people
- A **ban on abuse of power**

A duty not to support acts that are recognizably and seriously in violation of international human rights, even if such acts are not explicitly mentioned in this Code.

Agenda

1.	The new Supply Chain Act - Basics	
2.	Human Rights Risks	
3.	Environmental Risks	



Module 3: Environmental Risks

Introduction - What does environmental protection mean?

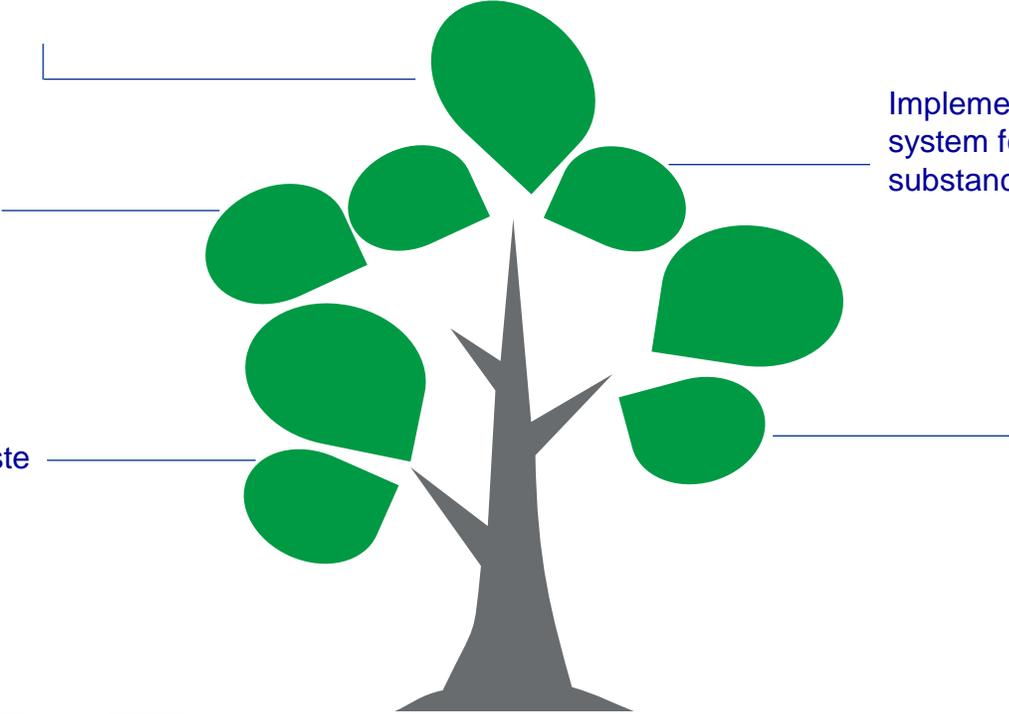
Environmental protection includes all measures that serve nature conservation and human well-being

Responsible use of natural resources such as water, energy or raw materials

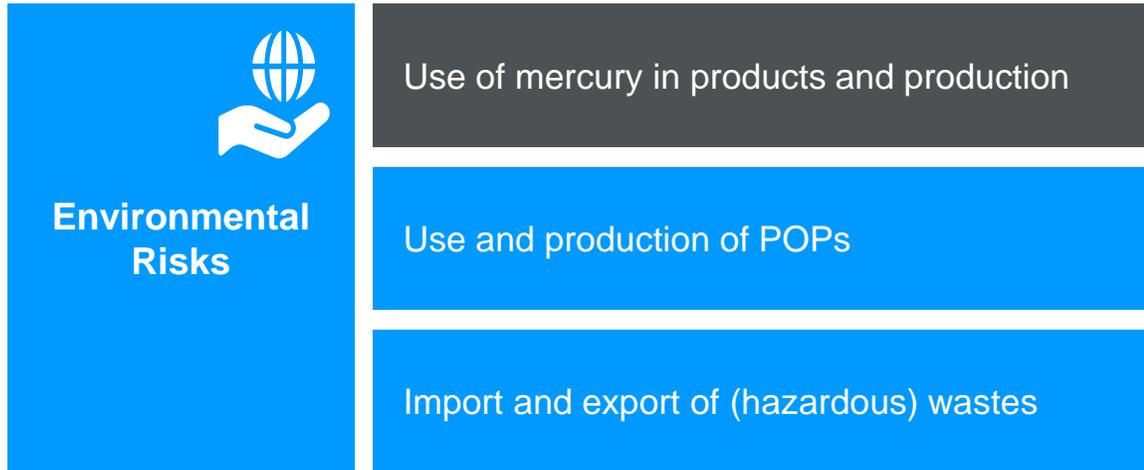
Reusing or recycling of waste

Implementation of an effective waste management system for waste disposal and the handling of toxic substances

Preventing pollution of air, soil and water



Use of mercury in products and production



What does it mean?

The LkSG prohibits the production of mercury-containing products as well as the use of mercury compounds in manufacturing processes and the treatment of mercury waste as defined by the **Minamata Global Convention**.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid environment-related risks, various preventive measures are possible, for example:

- Introduction of a code of conduct,
- Conducting environmental audits and regular assessments,
- Instruction and training on environmental protection,
- Compliance with sustainability standards and certificates,
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses,

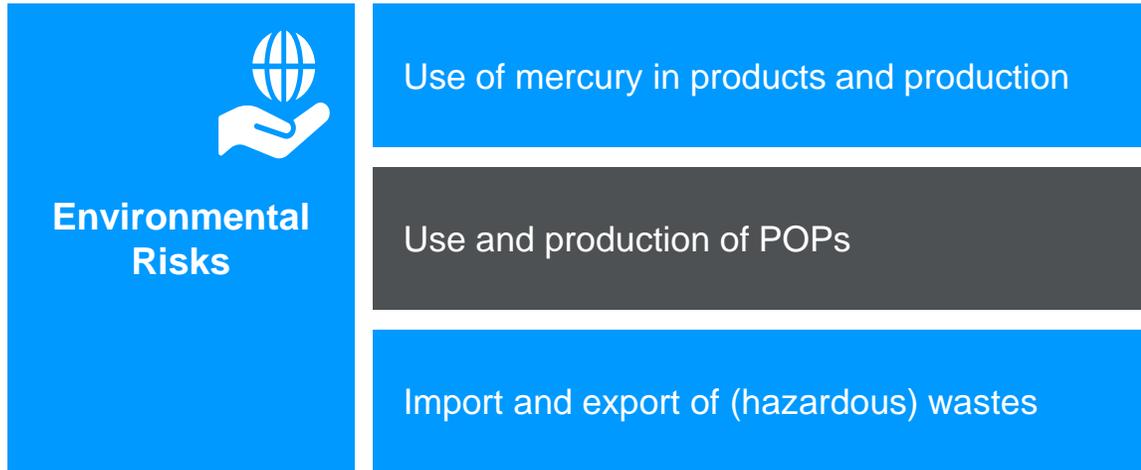


The **Minamata Convention** aims to protect human health and the environment from anthropogenic emissions and releases of mercury to air, water and soil. The environmental agreement covers the entire life cycle of mercury, from primary mining to disposal. More than 90 countries signed the convention on Oct. 10, 2013, in Minamata, Japan, which entered into force in 2017.¹

85%

100%

Use of mercury in products and production



What does it mean?

The LkSG prohibits the production and use of chemicals under the **Stockholm Convention** on Persistent Organic Pollutants (PoP).

The LkSG prohibits the non-environmentally sound **handling, storage, and disposal** of waste under the regulations that apply in the jurisdiction under the terms of the Convention.

To comply with the Convention, governments record measures to reduce or ideally completely prevent the release of POPs into the environment.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid environment-related risks, various preventive measures are possible, for example:

- Introduction of a code of conduct,
- Conducting environmental audits and regular assessments,
- Instruction and training on environmental protection,
- Compliance with sustainability standards and certificates,
- Collaboration with local governments and NGOs,
- Contractualization of auditing rights and control clauses,
- Projects to regulate the use of pesticides/fertilizers, etc.



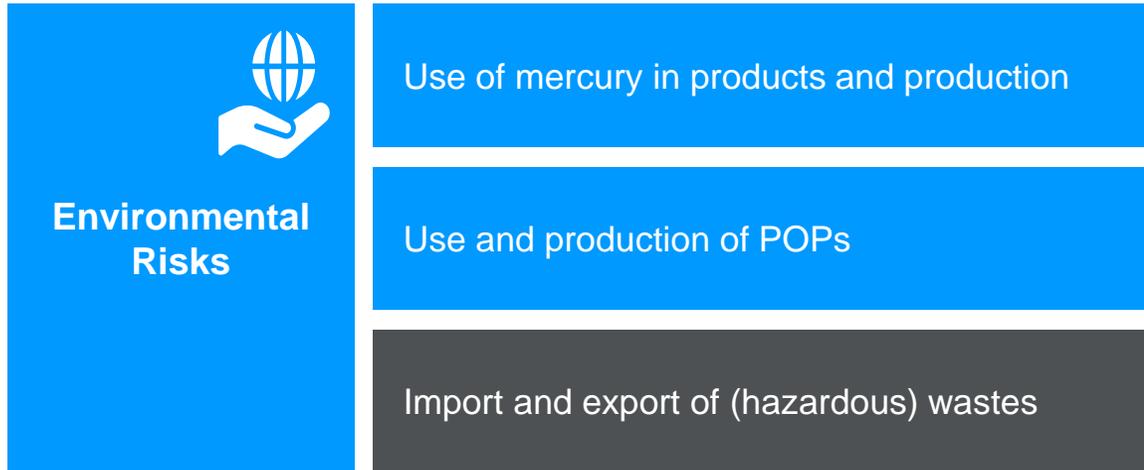
The intent of the 2001 **Stockholm Convention** is to **protect human health and the environment from persistent organic chemicals (POPs)**. These persistent substances are detected worldwide. POPs can be harmful to humans and animals. Import and export of these substances is limited to individual cases, e.g. import or export is allowed if it is for safe and environmentally friendly disposal. However, this may only be done in compliance with international rules, standards and guidelines.¹

88%

100%

¹ [BVL - Stockholmer Übereinkommen \(POP-Konvention\) \(bund.de\)](https://www.bund.de)

Import and export of (hazardous) wastes



What does it mean?

The law prohibits the import and export of **hazardous waste** as defined by the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

In addition, the law prohibits the import and export of other wastes from a **non-Party** to the Basel Convention.



How can we prevent this in the supply chain?

In order to comply with the LkSG and avoid environment-related risks, various preventive measures are possible, for example:

- Introduction of a code of conduct,
- Conducting environmental audits and regular assessments,
- Instruction and training on environmental protection,
- Compliance with sustainability standards and certificates,
- Collaboration with local governments and NGOs,
- Contractual definition of auditing rights and control clauses,
- Optimization of waste management systems, etc.



More than 180 countries are now part of the **Basel Convention**. With the help of this agreement, globally applicable regulations on the legitimacy and control of exports of hazardous waste were established for the first time. The consent of the exporting country, importing country and all transit countries must be presented for transboundary waste shipments. This is primarily intended to protect countries that do not have the technical capabilities to handle hazardous waste.¹

93%



100%

¹ Basler Übereinkommen über die Kontrolle der grenzüberschreitenden Verbringung gefährlicher Abfälle und ihrer Entsorgung | Gesetze und Verordnungen | BMUV

DBG's ecological expectations of suppliers

DBG expects its suppliers **to treat the environment responsibly**. This includes:

- **Reducing environmental impact**. Conservation of biological diversity and development of a circular economy.
- **Climate protection** and avoidance of deforestation
- Designation and assessment of **hazardous materials, chemicals** and **substances**; Safe handling, transport, storage, reuse and disposal in accordance with the Stockholm and Basel Conventions
- Maintenance of **sustainable water management**
- **Reduction of various wastes**, including water and energy



Agenda

1.	The new Supply Chain Act - Basics	
2.	Human Rights Risks	
3.	Environmental Risks	

Done!

We hope that you are now familiar with the basics of the LkSG and have learned how companies can protect the human rights of their employees as well as the environment and prevent potential violations.

If you have any further questions, please contact your DBAG representative.

Contact details:

E-mail:

christopher-kevin.diehl@deutsche-boerse.com

Phone number:

+49 151 40748518

...

100%

