

# Report in accordance with the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG)

Reporting period from January 1, 2023 to December 31, 2023

**Name of the organization:** Wacker Neuson SE

**Address:** Preussenstrasse 41, 80809 Munich

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## A. Strategy and anchoring

### A1. Monitoring risk management and responsibility of management

#### **Which responsibilities for monitoring risk management were defined for the reporting period?**

The Manager Supply Chain Due Diligence, Christina Merz is responsible for monitoring the due diligence requirements under the LkSG, including risk management, with the support of the Wacker Neuson Supply Chain Due Diligence Committee, abbr. WN SCDDC, which is chaired by the Manager Supply Chain Due Diligence. The members of the WN SCDDC are drawn from the relevant corporate functions – procurement, quality management, compliance, HR, real estate and risk management.

## A. Strategy and anchoring

### A1. Monitoring risk management and responsibility of management

**Has management established a reporting process to ensure that it is regularly informed, at least once annually, about the work of the person responsible for monitoring risk management?**

**It is confirmed that management has established a reporting process to ensure pursuant to Section 4 (3) LkSG that it is regularly informed, at least once annually, about the work of the person responsible for monitoring risk management.**

- Confirmed

**Describe the process for reporting to senior management on risk management at least annually or on a regular basis.**

The managing directors of all operating Group companies and the members of the procurement organization have a duty to inform the supervisors about matters relating to risk management - see [https://wackerneusongroup.com/fileadmin/wacker-neuson-group/03\\_sustainability/07\\_supply-chain-due-diligence-lksg/wng\\_sca-committee-diagram.png](https://wackerneusongroup.com/fileadmin/wacker-neuson-group/03_sustainability/07_supply-chain-due-diligence-lksg/wng_sca-committee-diagram.png). The supervisors are responsible for evaluating the risk analysis and providing advice on the implementation of measures.

The supervisors are representatives of the procurement, HR and real estate corporate functions. They present an activity report to the WN SCDDC on a regular basis, every quarter, as well as on an ad hoc basis. The WN SCDDC supports the Manager Supply Chain Due Diligence, abbr. MSCDD in controlling the adequacy and effectiveness of the due diligence processes. This report focuses on qualitative information and quantitative key indicators to control the effectiveness of the due diligence processes.

The MSCDD chairs the SCDDC and centrally coordinates the implementation of the due diligence requirements. The MSCDD reports directly to and maintains regular and close decision-making coordination with the Chief Technology Officer, abbr. CTO. The other members of the Executive Board are involved in this decision-making as the need arises. Topics that concern the entire Executive Board or the Supervisory Board are addressed through the CTO or else together with the MSCDD.

The MSCDD also reports to the Executive Board on a regular basis about the implementation of the due diligence processes and the findings from the meetings of the SCDDC. The reporting intervals are annually to the entire Executive Board and half-yearly to the CTO. The reporting covers the following topics: status of implementation of LkSG requirements, completed and planned changes to due diligence processes and required decision-making.

## A. Strategy and anchoring

### A2. Policy statement on human rights strategy

**Is there a policy statement that has been prepared or updated based on the risk analysis conducted during the reporting period?**

The policy statement has been uploaded:

[https://wackerneusongroup.com/fileadmin/general/downloads-en/01\\_konzern/01\\_compliance/wng\\_declaration-of-principles-on-respect-for-human-rights.pdf](https://wackerneusongroup.com/fileadmin/general/downloads-en/01_konzern/01_compliance/wng_declaration-of-principles-on-respect-for-human-rights.pdf)

## A. Strategy and anchoring

### A2. Policy statement on human rights strategy

Has the policy statement for the reporting period been communicated?

**It is confirmed that the policy statement has been communicated to employees, the works council if applicable, the public, and direct suppliers for whom a risk was identified in the risk analysis.**

- Confirmed

**Please describe how the policy statement was communicated to the respective relevant target groups.**

The policy statement of the Wacker Neuson Group, abbr. WNG, on respect for human rights is publicly available on the website in the German and English languages. It was communicated to employees internally via the Intranet on behalf of the Executive Board. Participants in the internal training on the LkSG are regularly reminded about the policy statement.

Both the works council at the level of the European company, SE, and the Group works council were informed in a meeting about updates made to the policy statement and about the implementation of the strategy anchored within the policy statement.

During the onboarding process for the supplier risk management software, all active direct suppliers received a one-off e-mail informing them that the WNG falls within the scope of the LkSG and is therefore obliged to comply with due diligence requirements in the areas of human rights and the environment and is reliant on the support of its suppliers in this context. The suppliers were informed in this connection that they would be contacted again if any need for action should arise. They also received information about the LkSG and its implementation at the WNG. This information included a link to the policy statement on respect for human rights.

Suppliers for whom a risk was identified are sent an e-mail referring them to the WNG's policy statement and its Code of Conduct for Suppliers. They are also asked to provide additional information on the risk situation by completing a standard questionnaire based on the risk identified.

## A. Strategy and anchoring

### A2. Policy statement on human rights strategy

#### **What elements does the policy statement contain?**

- Establishment of a risk management system
- Annual risk analysis
- Anchoring of preventive measures for risks in own business area, among direct suppliers and, if applicable, indirect suppliers, along with a review of their effectiveness
- Remedial action in own business area, among direct suppliers and, if applicable, indirect suppliers, along with a review of their effectiveness
- Establishment of a whistleblower system in own business area and among suppliers, along with a review of their effectiveness
- Documentation and reporting obligation
- Description of priority risks identified
- Description of human rights- and environment-related expectations of own employees and of suppliers

## A. Strategy and anchoring

### A2. Policy statement on human rights strategy

#### **Description of any updates during the reporting period and the reasons for these updates.**

The following points were added to the policy statement in view of the LkSG:  
Identification of relevant risks in accordance with the previously conducted risk analysis, specific reference to the international standards and guidelines upon which the human rights strategy is based, and description of procedures in relation to risk management, risk analysis, remedial action, effectiveness review and reporting.

## A. Strategy and anchoring

### A3. Anchoring of human rights strategy within own organization

**In which relevant departments/business processes was the anchoring of the human rights strategy ensured during the reporting period?**

- Personnel/HR
- Site development/management
- Environmental management
- Occupational health and safety
- Communication/corporate affairs
- Purchasing/procurement
- Supplier management
- Legal/compliance
- Quality management
- Mergers and acquisitions
- Business development
- IT/digital infrastructure
- Auditing
- Other: Works council, investor relations, marketing, risk management

**Describe how the responsibility for implementing the strategy is allocated within the different departments/business processes.**

Overall responsibility for implementing the policy statement and the human rights-related due diligence processes as set out in the LkSG lies with the Executive Board of Wacker Neuson SE. The Executive Board issues corresponding instructions to the corporate functions and the managing directors of the individual Group companies. The managing directors of the production sites and the sales offices are responsible for local implementation in their business area, whereas the heads of the respective procurement organizations have responsibility for implementing the LkSG due diligence requirements in relation to the suppliers supported by the procurement organization. In the case of suppliers supported by employees outside of the procurement organization, the responsibility lies with the respective managers.

The person responsible for overseeing the human rights-related due diligence requirements is the Chief Technology and Operations Officer, abbr. CTO/COO, of Wacker Neuson SE in his capacity as CTO. He receives operational support in this area from the MSCDD. The MSCDD coordinates activities, sets out priorities and presents corresponding reports to the CTO of Wacker Neuson SE on a regular basis, at least every six months, and as the need arises. In addition, the MSCDD reports to the entire Executive Board of Wacker Neuson SE on a regular basis, at least annually, and on an ad hoc basis, in coordination with the CTO.



The MSCDD also chairs the WN SCDDC, which brings together members from the relevant corporate functions – procurement, quality management, compliance, HR, real estate and risk management – and coordinates and supports the Group-wide continuous improvement of the due diligence processes to ensure that the aforementioned rights are respected and the associated obligations are met. The WN SCDDC is therefore responsible on the one hand for managing the continuous improvement of the effectiveness of the due diligence processes and identifying any need to adapt the related processes, methods, tools, documents and resources/expertise. Its other area of responsibility is to advise and support the committee chair, MSCDD, in decision-making regarding the follow-up of any LkSG-related risks on an ad hoc basis and any specific indications of a violation of the LkSG, e.g. based on LkSG-related findings from the whistleblower system and publicly available LkSG reports concerning the WN supply chain.

Clearly delineated roles and responsibilities have also been defined in the relevant corporate functions - procurement, HR and real estate - for the tasks of evaluating the human rights-related risk analysis, deriving preventive measures and remedial action from this evaluation, and providing advice on and overseeing the implementation of these measures.

A Group function from procurement is responsible for the aforementioned activities relating to the supply chain, whereas the roles and responsibilities of the other two corporate functions are derived from the respective core competencies with HR assigned to human rights and employee issues, and corporate real estate to occupational safety and environmental protection, including waste management.

## **Describe how the strategy is integrated into operational processes and workflows.**

Responsibility for implementing the policy statement – and therefore the human rights strategy – lies with the operating units entrusted with integrating the human rights-related due diligence requirements into the processes in their region and/or department.

They are advised on this matter by the supervisors of the respective corporate functions - procurement, HR and real estate - who will liaise if necessary with the MSCDD. The legal and compliance department provides support in the event of queries on legal or compliance topics, and external support can be requested if required. Any external support partners must have knowledge and experience in the area of compliance with the LkSG, for example lawyers with expertise in this area of legislation or procurement consultants specializing in the area of sustainability.

The overarching framework is provided by a Group-wide code of conduct that is signed by all employees when they are hired as well as a RACI matrix which defines responsibilities for the due diligence processes according to “responsible”, “accountable”, “consulted” and “informed”. The content of this matrix is discussed and agreed with the employees involved in implementing the due diligence processes. The MSCDD is responsible for overseeing the implementation.

The policy statement, the Code of Conduct for Employees and information on the due diligence processes are all available on the Intranet. In addition, training is provided for all employees who play an active role in implementing the due diligence processes.

The general information on the LkSG-related due diligence processes covers the following topics: terms and provisions of the LkSG, overview of committees and contact persons involved in implementing the due diligence processes at the WNG, reference to the policy statement and Code of Conduct for Employees, information on the whistleblower system and on how the risk management system works in the WNG’s own business area and across its supply chain.

As well as the information described above, the training also covers the specific activities of the respective target groups in the context of the due diligence processes. The target groups for the training are risk owners, supervisors, members of the WN SCDDC, the procurement organization, supplier management and employees involved in processes that are most likely to trigger an ad-hoc risk analysis: procurement, strategy, M&A and compliance.

Any necessary process adjustments that have been identified by the WN SCDDC, among others are documented and any changes to responsibilities are updated if applicable in the RACI matrix. If required, the process adjustments and changes to responsibilities are communicated or included in training on an ad hoc basis. Otherwise, they are incorporated into the regular training measures.

**Describe the resources and expertise that are made available for implementation.**

The due diligence processes and associated templates were created by an interdisciplinary project team which called on the services of external consultants - procurement and sustainability specialists and legal experts - where required. The project team also referred to the guidance, leaflets and FAQs issued by the Federal Office for Economic Affairs and Export Control (BAFA).

The risk management system is software-based and incorporates recognized indexes.

Employees are trained by the MSCDD, who has already achieved TÜV certification as a Human Rights Officer, along with the process managers of the respective departments who contribute their specialist professional expertise.

The expertise of supervisors from the relevant corporate functions - procurement, HR and real estate - and of the MSCDD on LkSG-related matters is used to plan preventive measures and remedial action.

## B. Risk analysis and preventive measures

### B1. Implementation, procedure and results of the risk analysis

**Was a regular (annual) risk analysis carried out during the reporting period to identify, weight and prioritize human rights-related and environmental risks?**

- Yes, for the organization's own business area
- Yes, for direct suppliers

**In which period was the annual risk analysis carried out?**

The risk analysis in relation to the WNG's own business area and its suppliers is continuously carried out and adapted with the support of risk management software. The data used for the analysis - press releases, indexes, rankings, etc. - is continuously updated to guarantee a dynamic, ongoing abstract risk assessment for each business partner. Once the abstract risks have been identified, a concrete risk analysis is carried out on the business partners who were found to present abstract risks. The concrete risk analysis is regularly carried out on the basis of the dynamic, abstract analysis.

Risk owners in the WNG's own business area are asked to report changes to their own risk inventory without delay if they identify a change in the concrete risks.

In order to ensure that all risk owners keep their concrete risk aspects up to date, an automatic process is scheduled in the database every fortnight to show the last date of change for all risk aspects. If this process finds risk aspects that have not been updated or reviewed for more than three months, e-mails are automatically sent to the risk owners asking them to review the corresponding risk aspects and update them if necessary.

If abstract risks are determined in relation to direct suppliers, a workflow triggers an e-mail message to the responsible buyers. This contains a request to check the master data and available evidence in relation to the supplier and if applicable update this information in the risk management software. In particular, they are asked to record the WNG's capacity to influence the supplier, which then becomes one of the criteria for prioritization.

## **Describe the risk analysis procedure.**

Risk management software is used to carry out the abstract risk analysis in relation to the WNG's own business area and its suppliers as well as the concrete risk analysis in relation to suppliers. The system is a holistic software solution for IT-enabled implementation of the requirements of the LkSG, thus supporting risk and supplier management in alignment with the criteria set out in the LkSG. The software offers a detailed overview of the companies that belong to the Group along with their direct suppliers and – if these are known – the indirect suppliers, and also maps their specific human rights-related and environmental risks in an appropriate manner. The companies of the WNG and their active direct suppliers are entered in the system. Recognized indexes (specifically the MVO Risk Checker, which checks over 3,000 sources of risk) and press releases are used to identify an abstract risk for every company entered in the system and every protected legal position as the combined result of the industry- product- and country-specific risk assessment. The software is also used to support the ad-hoc risk analysis.

In order to initially record the concrete risks in the Group's own business area, all risk aspects along with explanations were sent to the risk owners of all companies by circular e-mail.

The risk owners regularly enter the feedback in the risk management database, whereby the following data is recorded: description of the risk, severity of the risk, likelihood of occurrence and a description of the measures taken as well as an assessment of their effectiveness.

New risk owners and new affiliate companies receive the explanatory information and are correspondingly recorded in the database. New risk aspects, e.g. harmful environmental impacts, are sent to all risk owners along with explanations in a circular e-mail.

If a risk ceases to apply, the risk owner deletes the corresponding description in the respective risk aspect. The risk aspects themselves cannot be deleted. Empty risk aspects therefore indicate that the risk owner has not yet identified a concrete risk in this area.

Depending on the abstract risk exposure of the supply chain, the concrete risks of individual suppliers are analyzed. The concrete risk is estimated based on a self-assessment, evidence of fulfilment of audit-based standards, insights from the relationship with the supplier or tip-offs from the whistleblower system. Individual measures can then be implemented based on the concrete risk.

## B. Risk analysis and preventive measures

### B1. Implementation, procedure and results of the risk analysis

#### **Was risk analysis also carried out on an ad hoc basis during the reporting period?**

- Yes, due to a significant change in the risk situation as a result of the development of new business areas

#### **Describe the specific reasons for the ad-hoc risk analysis.**

As Wacker Neuson SE was seeking to acquire shares in a German manufacturer of electric motors, a risk analysis in accordance with the LkSG was also conducted as part of the due diligence check during the merger and acquisition process.

**Describe the findings produced by the analysis with regard to a significantly changed and/or expanded risk situation.**

Low and average abstract overall risk scores were determined both for the target company and its main product groups and countries in production procurement. As the risks were related to business sectors and countries that were also previously part of the supply chain of the WNG, no change or expansion of the WNG's risk situation resulted from the acquisition of the minority shareholding.

Indications of concrete risks in relation to the LkSG were not revealed either by the data or during the discussions with the target company.

**Describe how findings from the processing of tip-offs/complaints were taken into account.**

There were no tip-offs/complaints in connection with the ad-hoc risk analysis.



## B. Risk analysis and preventive measures

### B1. Implementation, procedure and results of the risk analysis

#### Results of the risk analysis

##### Which risks were identified in the organization's own business area during the risk analysis?

- Prohibition of the hiring or use of private/public security forces if this could lead to harm due to a lack of instruction or control
- Disregard for occupational safety and work-related health hazards
- Destruction of resources vital for human, animal and plant life and diversity through environmental pollution
- Disregard for freedom of association – the right to organize and the right to collective bargaining
- Unlawful violation of land rights
- Prohibition of forced labor and all forms of slavery
- Prohibition of unequal treatment in employment
- Prohibition of child labor
- Prohibition of withholding of a fair wage
- Prohibition of the production and/or use of substances within the scope of the Stockholm Convention (persistent organic pollutants –POP) as well as the non-environmentally sound handling of waste containing POPs
- Prohibition of the import/export of hazardous waste as defined by the Basel Convention

## B. Risk analysis and preventive measures

### B1. Implementation, procedure and results of the risk analysis

#### Results of the risk analysis

##### Which risks were identified in relation to direct suppliers during the risk analysis?

- Prohibition of the hiring or use of private/public security forces if this could lead to harm due to a lack of instruction or control
- Disregard for occupational safety and work-related health hazards
- Destruction of resources vital for human, animal and plant life and diversity through environmental pollution
- Disregard for freedom of association – the right to organize and the right to collective bargaining
- Unlawful violation of land rights
- Prohibition of forced labor and all forms of slavery
- Prohibition of unequal treatment in employment
- Prohibition of child labor
- Prohibition of withholding of a fair wage
- Prohibition of the production and/or use of substances within the scope of the Stockholm Convention (persistent organic pollutants –POP) as well as the non-environmentally sound handling of waste containing POPs
- Prohibition of the import/export of hazardous waste as defined by the Basel Convention

## **B. Risk analysis and preventive measures**

### B1. Implementation, procedure and results of the risk analysis

#### **Results of the risk analysis**

**Which risks were identified in relation to indirect suppliers during the risk analysis?**

- None

## B. Risk analysis and preventive measures

### B1. Implementation, procedure and results of the risk analysis

**Were the risks identified during the reporting period weighted and – if necessary – prioritized, and if so, on the basis of which adequacy criteria?**

- Yes, on the basis of the expected severity of the violation according to degree, number of people impacted and irreversibility
- Yes, on the basis of the organization's own capacity to influence
- Yes, on the basis of the probability of occurrence
- Yes, on the basis of the nature and extent of the organization's own business activities
- Yes, on the basis of the nature of the causal contribution

**Describe in more detail how the risks were weighted and – if necessary – prioritized, and which criteria were taken into account.**

The individual risks were weighted and prioritized according to severity and probability of occurrence in the Group's own business area.

For suppliers, risk management software was used to prioritize risks based on the following criteria: typically expected severity of the violation by degree, number of people impacted and irreversibility of the violation, probability of the occurrence of the violation, nature of the WNG's causal contribution, nature of the supplier's business activity, extent of the supplier's business activity - in particular geographic locations, capacity of the WNG to influence the entity directly responsible for causing the violation and/or the risk. The violations that are deemed to be particularly severe and irreversible refer in particular to breaches of the prohibition of the worst forms of child labor, the prohibition of torture and the prohibition of forced labor and slavery. A high priority is attached to such risks.

After that, consideration is above all given to risks that always affect a large number of people, such as breaches of standards to protect health and safety at work, wage discrimination, and the causing of harmful soil degradation, air pollution and water pollution. Suppliers from high-risk sectors are always the main focus in the prioritization process. The ability to influence the entity that directly caused the potential violation is assessed in particular on the basis of the volume of sales transacted with the supplier in question.

The process of weighting and prioritizing the abstract risks identified in the Group's own business area and among direct suppliers was started in the reporting period and it is set to be completed in fiscal 2024.

## B. Risk analysis and preventive measures

### B2. Preventive measures in own business area

**Which risks were prioritized in the reporting period in the organization's own business area?**

- None

**If no risks were selected, give reasons for your answer.**

Following preparatory activities in the previous years, the concrete implementation of the LkSG due diligence processes got underway in fiscal 2023. This included the introduction of software to support the risk management activities. This software was used to identify the abstract risks in the WNG's own business area and risk owners were asked to complete a risk survey.

The task of prioritizing the risks was started in the reporting period. A taxonomy was used to prioritize the risks identified in the risk survey. This is described in more detail in section B1 and it will be further refined in fiscal 2024 if required. The weighting and prioritization of all identified abstract risks and the definition of measures based on these are due to be carried out in fiscal 2024.

## B. Risk analysis and preventive measures

### B2. Preventive measures in own business area

**Which preventive measures were implemented in the reporting period to prevent and minimize the priority risks in the organization's own business area?**

- Provision of training in relevant business areas

**Describe the measures implemented and specify in particular the reach (e.g. number, coverage/scope).**

All employees were provided with the following information:

- Presentation of the terms and provisions of the LkSG: protected legal provisions, due diligence obligations - in particular the obligation to take preventive measures, including training, legal risks
- Overview of the WNG committees and contacts dealing with LkSG-related matters
- Reference to policy statement, internal code of conduct and complaints channel
- Request, based on wording in policy statement: Pay attention to the protected rights also and inform manager/use complaints channel if there is any suspicion of a risk/violation

Employees who play an active role in the implementation of the due diligence processes additionally receive training on the following topics:

- Concrete activities for implementing the LkSG in the respective area of application – which processes and templates are used and how are they used? Incl. causal contribution: how can the training recipients reduce the risk themselves?
- Implementation of human rights-related due diligence obligations as part of the Wacker Neuson Group's sustainability strategy

The training was tailored for different target groups:

- Risk owners, supervisors and members of the WN SCDDC as well as their representatives
- Buyers – general LkSG-related processes
- Buyers – key user risk management
- Supplier managers
- Ad-hoc risk analysis

The training for risk owners in the WNG's own business area has been prepared and is due to be implemented in fiscal 2024. The training for the other target groups was fully completed in the reporting period.

**Describe the extent to which the training on preventing and minimizing the priority risks is adequate and effective.**

The training concept includes both an information aspect for all employees and a mandatory training aspect for employees who play an active role in the implementation of due diligence obligations. The aim of the information element is to raise employees' awareness of the subject. The focus of the training on the other hand is firstly on knowledge transfer and secondly on providing an opportunity to ask questions. This distinction between information and training is appropriate to the extent that information is sufficient for the majority of the 6,600 or so employees, whereas more detailed training is required for those employees who are directly involved in the due diligence processes.

Training is more time-consuming for both the instructors and the participants.

A dedicated Intranet page with information on the LkSG was created and a teaser video was produced. The Executive Board made reference to both of these on the Intranet. In fiscal 2024, the plan is to post a notice with information on the LkSG, and in particular on the complaints channel, in areas like the coffee corners or the bulletin board. It is envisaged that two versions of this notice will be produced: one addressed to the white collar target group and another addressed to blue collar workers.

An interactive format was chosen for the initial training incorporating practical examples and answering employees' questions. The training was conducted online via Teams and the sessions were recorded for future reference.

More in-depth training was also commenced in the reporting year and it is due to be completed in the current fiscal year.

## B. Risk analysis and preventive measures

### B3. Preventive measures among direct suppliers

**Which risks were prioritized among direct suppliers for the reporting period?**

- None

**Please provide reasons if no risks were selected.**

Following preparatory activities in the previous years, the concrete implementation of the LkSG due diligence processes got underway in fiscal 2023. This included the introduction of software to support the supplier risk management activities. Indirect suppliers were integrated into the software by the end of 2023. A taxonomy was developed to prioritize the risks. This is described in more detail in section B1 and it will be refined in fiscal 2024 if required. The process of prioritizing the risks was commenced in the reporting year, whereby an abstract risk assessment and a random-sample concrete risk assessment were carried out. The plan for fiscal 2024 is to expand the concrete risk analysis to suppliers with an abstract risk and to prioritize risks on that basis.



## B. Risk analysis and preventive measures

### B3. Preventive measures among direct suppliers

**Which preventive measures were implemented in the reporting period to prevent and minimize the priority risks among direct suppliers?**

- Development and implementation of appropriate procurement strategies and practices
- Integration of expectations in supplier selection
- Obtaining of contractual assurances for compliance with and implementation of expectations along the supply chain
- Initial and further training to enforce the contractual assurances
- Agreement on and implementation of risk-based control mechanisms

#### **Other categories:**

selected:

- Integration of expectations in supplier selection
- Obtaining of contractual assurances for compliance with and implementation of expectations along the supply chain
- Initial and further training to enforce the contractual assurances
- Agreement on and implementation of risk-based control mechanisms

**Describe the extent to which the measures to prevent and minimize the priority risks are adequate and effective.**

In line with its focus on only selecting suitable suppliers, the Group has revised the supplier management process to take human rights-related and environmental expectations into account and it has started to revise the source-to-contract process. The following workflows and templates were included in this revision:

- Supplier management process: templates for supplier self-assessment, abbr. SSA, and supplier potential analysis, abbr. SPA
- Source-to-contract process: workflows and templates for request for quotation, abbr. RFQ, supplier nomination committee, abbr. SNC, and contract management - Code of Conduct for Suppliers

In its policy statement on respect for human rights, the WNG undertakes to respect human rights not only in its own business area but also across its supply chain. The WNG also sets out in its policy statement that it expects its suppliers to commit to respecting human rights, to establish appropriate due diligence processes and to pass this expectation on to its own suppliers.

An update to the Code of Conduct for Suppliers included a commitment to comply with and implement the human rights-related and environmental expectations along the supply chain and an agreement on the right to conduct ad-hoc supplier audits in the event of suspected violations. The revised Code of Conduct has already been signed by certain suppliers. The revised version is set to be rolled out to further suppliers in 2024 along with guidelines on how to implement the same, which were developed and aligned in the reporting period. In addition, the Code of Conduct is already part of the framework supply contract and reference is made to it in the terms and conditions of purchase.

The suppliers managed by the central procurement organization have already received an e-mail containing information and a reference to the policy statement and information videos in relation to the LkSG and its protected legal provisions. In addition, e-learning materials on these topics to be used in fiscal 2024 were selected for the suppliers. These allow the communication of detailed information on specific topics and provide a way to ask control questions in the event that risks were identified or if there are any suspicions of a violation.

## Category: Procurement strategy and practices

selected:

- Development and implementation of appropriate procurement strategies and practices

### **Describe the measures implemented and to what extent the determination of delivery deadlines and purchase prices or the duration of contractual relationships have been adjusted.**

The implementation of supplier risk management software provided the necessary technical functionality to perform the following in the reporting year:

- A regular abstract risk analysis based on artificial intelligence, abbr. AI, and concrete risk analysis
- Software-enabled ad-hoc risk analysis based on received tip-offs or reports that were identified as potentially relevant in the AI-based media screening
- Workflow-assisted implementation of preventive measures and remedial action, e.g. sending of questionnaires, links to information and training materials and assignment of e-learning

This software is continuously developed. The corresponding workflows and templates were created in the reporting year and have already been implemented to a partial extent.

The risk management system is due to be further developed in fiscal 2024. This will involve the use of the risk management software in day-to-day operations and refinement and establishment of the associated workflows and templates in this context.

An LkSG-specific escalation pyramid for the procurement organization was developed in the reporting period for deviations from the standard process. This is due to be finalized and implemented in fiscal 2024.

Adjustments to delivery deadlines, purchase prices or the duration of contractual relationships were not yet made in the reporting period. An evaluation will be performed once the sustainable procurement policy becomes available, which will be at some point before the end of 2024.

The above-described strategy and practices were elaborated in close coordination with the management of the procurement teams and the MSCDD. Training was provided to the international procurement teams and this information is also available on the Intranet for the WNG employees. Colleagues who play an active role in the implementation of the due diligence processes received more detailed information about the processes and responsibilities.

**Describe to what extent adjustments to the organization's own procurement strategy and practices should contribute to the prevention and minimization of priority risks.**

The software-enabled risk management system and the implemented processes, as described above, are designed to monitor and address risks and violations in an appropriate and effective manner.

In order to further improve its ability to identify concrete indications of risks or violations among direct suppliers, the Group has updated its complaints procedure and implemented software that can screen reports based on AI.

Complaints and reports are evaluated during the ad-hoc risk analysis in due consideration of the appropriateness criteria set out in the LkSG and processed in accordance with the resulting prioritization.

Employees with responsibility for risk management are defined within the procurement organization and they receive appropriate training for this role.

An escalation pyramid shows who must be involved after certain periods of time have elapsed in the event that commenced measures cannot be implemented or if they are proving to be ineffective.

## B. Risk analysis and preventive measures

### B4. Preventive measures among indirect suppliers

**Which risks were prioritized among indirect suppliers based on the ad-hoc risk analysis?**

- None

**Please give reasons for your answer if no risks were selected.**

Following preparatory activities in the previous years, measures were taken in fiscal 2023 to further improve the WNG's ability to identify concrete indications of risks among indirect suppliers. The functionality of the software used for ad-hoc risk analysis was tested on a random sample basis. No concrete indications of risks were identified in the course of this sample ad-hoc risk analysis.

Prioritization of risks that emerged in the course of this ad-hoc risk analysis was therefore not required.

## B. Risk analysis and preventive measures

### B4. Preventive measures among indirect suppliers

**Which preventive measures were implemented in the reporting period to prevent and minimize the priority risks among indirect suppliers?**

- Development and implementation of appropriate procurement strategies and practices
- Implementation of risk-based control mechanisms

**Describe the measures implemented and specify in particular the scope (e.g. number, coverage/scope).**

In its policy statement on respect for human rights, the WNG sets out that it expects its suppliers to commit to respecting human rights, to establish appropriate due diligence processes and to pass this expectation on to its own suppliers.

In line with its human rights strategy, the WNG aims to sustainably implement its Code of Conduct for Suppliers throughout its entire supply chain. It therefore sets out in the Code that it expects its suppliers to pass on the principles and requirements of the Code to their own suppliers and subcontractors, to impress upon them the importance and urgency of compliance with the agreed terms and provisions, and to monitor this process.

The whistleblower system was updated to increase its legitimacy, computability and transparency. For more information, see the section on the “Whistleblower system”.

In addition, the Group has commenced the concrete implementation of the due diligence requirements of the LkSG with respect to the risk analysis, and it has implemented software supporting supplier risk management. This provided the necessary technical functionality to perform the following:

- AI-based media screening in relation to both direct and indirect suppliers
- Software-enabled ad-hoc risk analysis in relation to both direct and indirect suppliers

**Describe to what extent the measures to prevent and minimize the priority risks are adequate and effective.**

The WNG's policy statement on respect for human rights as well as its Code of Conduct for Suppliers both aim to minimize risks as far as possible and prevent violations by clearly communicating the WNG's expectations of its suppliers in relation to the human rights-related due diligence processes, and in particular its expectation that suppliers will pass on the principles and requirements of the Code to their own suppliers and subcontractors.

In order to further improve its ability to identify concrete indications of risks or violations among indirect suppliers, the Group has updated its whistleblower system and implemented software that can screen reports based on AI, including in relation to indirect suppliers.

Complaints and reports are analyzed during the ad-hoc risk analysis in due consideration of the appropriateness criteria set out in the LkSG and processed in accordance with the resulting prioritization.

## B. Risk analysis and preventive measures

### B5. Communication of findings

**Were the risk analysis findings communicated internally to the relevant decision-makers in the reporting period?**

**It is confirmed that the risk analysis findings were communicated internally in the reporting period to the relevant decision-makers, such as the Executive Board, managing directors or the purchasing department in accordance with Section 5 (3) LkSG.**

- Confirmed



## B. Risk analysis and preventive measures

### B6. Changes to risk exposure

**Which changes have arisen in relation to priority risks compared to the previous reporting period?**

Not applicable as this is the first report to be published in accordance with the LkSG and as such there was no previous reporting period.

## C. Identification of violations and remedial action

### C1. Identification of violations and remedial action in the organization's own business area

**Were violations identified in the organization's own business area during the reporting period?**

- No

**Describe the procedures that are used to identify violations in the organization's own business area.**

Violations can be identified in the course of the regular risk analysis or the ad-hoc risk analysis, especially if tip-offs about violations are received via the WNG's whistleblower system. Violations may also be uncovered during audits in accordance with ISO 14001 and ISO 3834-2 and in the course of a statutory audit.

The internal audit plan for 2024 provides for an effectiveness review of the global due diligence processes required under the LkSG as well as a random-sample review of the implementation of due diligence processes at the local company level.

## C. Identification of violations and remedial action

### C2. Identification of violations and remedial action among direct suppliers

**Were any violations among direct suppliers identified in the reporting period?**

- No

**Describe the procedures that are used to identify violations among direct suppliers.**

Violations can be identified in the course of the regular risk analysis or the ad-hoc risk analysis, especially if tip-offs about violations are received via the WNG's whistleblower system or indications are obtained from media screening. Measures are adopted depending on the outcome of the risk analysis, and they may include the conducting of ad-hoc audits, in the event of suspected violations, among direct suppliers. Provision for such audits is made in the audit clauses of the WNG's Code of Conduct for Suppliers.

Audits are also conducted at potential new suppliers and at existing suppliers if the business relationships with those suppliers are significantly expanded or if concrete human rights-related risks were identified and these need to be investigated on site.

## C. Identification of violations and remedial action

### C3. Identification of violations and remedial action among indirect suppliers

**Were any violations among indirect suppliers identified in the reporting period?**

- No

## D. Whistleblower system

### D1. Establishment of or participation in a whistleblower system

**In what form was a whistleblower service offered in the reporting period?**

- Corporate whistleblower system

**Describe the corporate whistleblower system and/or the whistleblower system in which your organization participates.**

The WNG's "Tell-it" whistleblower system is a web-based communication channel to identify possible breaches of human rights-related or environmental laws and policies as defined by the obligations set out in the LkSG, where such breaches concern the companies of the WNG or their supply chains. This whistleblower system is available not only to employees but also to suppliers, business partners, customers and other third parties. "Tell-it" can be accessed on the corporate website at any time and from any location in the world. Reports are treated as confidential and whistleblowers can either choose to remain anonymous or engage in a dialog regarding their report.

The whistleblower system is accessible on the WNG's corporate website under "Compliance" via an external link: <https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=6wane02&c=-1&language=eng>

## D. Whistleblower system

### D1. Establishment of or participation in a whistleblower system

#### **Which potential stakeholders have access to the whistleblower system?**

- The organization's own employees
- Communities in the vicinity of the organization's own sites
- Supplier employees
- External stakeholders such as NGOs, trade unions, etc.

#### **How is access to the whistleblower system safeguarded for the various groups of potential stakeholders?**

- Publicly available rules of procedure in text form
- Information on accessibility
- Information on responsibility
- Information on the process
- All information is clear and comprehensible
- All information is publicly available

#### Publicly available rules of procedure in text form

#### **Optional: Provide a description.**

The rules of procedure are in the form of an internal policy, extracts of which are made publicly available online in a Q&A section on the whistleblower system website, where the essential information about the whistleblower system is provided:

<https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=6wane02&c=-1&language=eng>

## Information on accessibility

### **Optional: Provide a description.**

The whistleblower system can be accessed at any time (24/7) from anywhere in the world. If a secure mailbox was set up, the person who submitted the report will receive confirmation of receipt into this mailbox within seven days. This mailbox can also be used to remain in contact with the person who submitted the report, ask follow-up questions, and engage in a dialog with the whistleblower. Information on follow-up measures and the conclusion of the matter can also be provided via this mailbox.

## Information on responsibility

### **Optional: Provide a description.**

The tip-offs are received by the Corporate Compliance Office as the body responsible for the whistleblower system - see above. After that, however, they are forwarded to the MSCDD as the Group's responsible appointee for human rights-related and environmental matters.



## Information on the process

### **Optional: Provide a description.**

Users of the system can report “violations of human rights” and “violations of environmental protection provisions”. The report can be submitted in the user’s own words and documents/photos to support the tip-off may – if so desired – be attached and uploaded in the whistleblower system.

Throughout the process of making a report, the whistleblower is informed about the protection of their anonymity if this is their preference.

The whistleblower can decide themselves if they wish to set up a mailbox for future dialog.

When a report is received, it is checked to determine whether an investigation is necessary. This is done by the Corporate Compliance Office of the WNG, which as part of the Corporate Legal and Compliance department is based at the Group headquarters of Wacker Neuson SE in Munich. The investigation may be carried out by internal or external specialists in the field. The Corporate Compliance Office forwards tip-offs about a suspected violation of a human rights-related or environmental obligation in accordance with the LkSG to the MSCDD, who is responsible for further processing of the report. All individuals and offices entrusted with handling the tip-off treat it as confidential. The same goes for protecting the identity of the whistleblower if they have decided to disclose their identity. Information is only shared on a need-to-know basis.

Individuals who are suspected of breaching a compliance obligation are if applicable given the opportunity to make a statement on the circumstances described in the report. If the whistleblower has provided their name but does not want their name to be revealed to the individuals involved in a suspected compliance violation, the whistleblower can indicate this wish when making the report. The information in the tip-off will be passed on to government agencies if required.

The secure mailbox can be used to maintain contact with the whistleblower and inform them about follow-up measures and the conclusion of the matter. The secure mailbox will not be used in this manner, however, if this would affect internal inquiries or investigations or if it would be prejudicial to the rights of the individuals who are at the center of a report or whose names are mentioned in a report.

All of the information is clear and comprehensible

**Optional: Provide a description.**

The information is available in the German and English languages.

All of the information is publicly available

**Optional: Provide a description.**

The information is accessible on the corresponding website.

## D. Whistleblower system

### D1. Establishment of or participation in a whistleblower system

#### **Were the rules of procedure publicly available in the reporting period?**

The rules of procedure are in the form of an internal policy, extracts of which are made publicly available online in a Q&A section on the whistleblower system website, where the essential information about the whistleblower system is provided: <https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=6wane02&c=-1&language=eng>

In addition, rules of procedure are due to be published in fiscal 2024 to supplement the Q&As.

## D. Whistleblower system

### D2. Requirements of the whistleblower system

**Provide the name(s) and position(s) of the person(s) responsible for the whistleblower system.**

The whistleblower system is overseen and managed by the Corporate Compliance Office.  
Andreas Pesch, Chief Compliance Officer [compliance@wackerneuson.com](mailto:compliance@wackerneuson.com)  
+49 89 35402 2222

Christina Merz, Manager Supply Chain Due Diligence, is the person responsible for handling tip-offs on LkSG-related topics. If applicable, the Wacker Neuson Supply Chain Due Diligence Committee will also be involved in the process.

**It is confirmed that the criteria contained in Section 8 (3) LkSG are met for the responsible persons, i.e. that they offer a guarantee of impartiality, they are independent, they are not bound by instructions and they are sworn to secrecy.**

- Confirmed

## D. Whistleblower system

### D2. Requirements of the whistleblower system

**It is confirmed that precautions were taken in the reporting period to protect potential involved parties against disadvantage or punishment as a result of a complaint.**

- Confirmed

**Describe the precautions that were taken, in particular how the whistleblower system guarantees that the identity of whistleblowers remains confidential.**

The whistleblower system does not store the IP addresses or other personal data of whistleblowers. Users may submit a complaint anonymously if they wish. When complaints are submitted online, the whistleblower is advised that they are not obliged to provide details that would reveal their identity. All tip-offs are treated as confidential. Depending on the reason for passing on the report, the information is forwarded in anonymized form. The persons responsible for processing the complaint are bound to confidentiality by written agreement. Only this group of people have access to the complaint and the channel of communication with the whistleblower. Similarly, this group of people has sole and exclusive responsibility for investigating the complaint. When a tip-off is being processed, the whistleblower is only asked to disclose their identity if this is necessary and unavoidable for the purpose of determining the facts. The decision as to whether or not they wish to disclose their identity lies at all times and solely with the whistleblower.

**Describe the precautions that were taken, and in particular the additional measures to ensure that whistleblowers are protected.**

The persons responsible for processing complaints receive training on the necessity to treat all complaints as confidential, to protect the identity of the whistleblowers and to ensure protection against disadvantage or reprisals as a result of the report.

The identity of the whistleblower is not communicated to business partners or to whoever was directly responsible for causing a violation or risk. Characteristics that would allow a whistleblower to be identified are also not communicated if at all possible.

Users of the whistleblower system are themselves given advice on how to remain anonymous when submitting a report.

## D. Whistleblower system

### D3. Implementation of the whistleblower system

**Were any tip-offs received through the whistleblower system in the reporting period?**

- No



## E. Review of the risk management system

**Is there a process to review risk management across the board for adequacy and effectiveness?**

**Which of the following areas of risk management are reviewed for adequacy and effectiveness?**

- Resources and expertise
- Risk analysis process and prioritization
- Preventive measures
- Remedial action
- Whistleblower system
- Documentation

**Describe how this review is conducted for each area and describe the findings – in particular in relation to the prioritized risks.**

The MSCDD, who is responsible for monitoring the risk management system, is also in charge of reviewing the adequacy and effectiveness of the system. In 2022 and 2023, the MSCDD reviewed the adequacy and effectiveness of risk management in cooperation with an interdisciplinary project team and subsequently with supervision and risk management colleagues using checklists derived from the text of the LkSG, the BAFA handouts and the FAQs published by the Federal Ministry for Economic Affairs and Climate Action, the Federal Ministry of Labor and Social Affairs and BAFA. The findings of this review were incorporated into the project activities and transferred directly into work packages. Action on the findings has already been largely implemented. The work packages and measures planned for fiscal 2024 are described in the corresponding section of this report.

In order to also support this review with statistics in future, key performance indicators were defined to assist the review of the due diligence processes for adequacy and effectiveness. The “Resources” and “Documentation” items were not defined as separate key performance indicators and are instead to be considered in conjunction with the respective due diligence processes: risk analysis and prioritization, preventive measures, remedial action and whistleblower system. “Expertise” is treated as a separate key performance indicator, whereby the people who have received training on due diligence processes must be recorded. Work on developing the profiles of these key performance indicators was also commenced in the reporting period. The representatives of the respective organizational units are responsible for the key performance indicators. The findings from the key performance indicators are discussed in the WN SCDDC, which is responsible for managing the continuous improvement of the effectiveness of the supply chain due diligence system and flagging any need to make changes to the associated processes and activities, see [https://wackerneusongroup.com/fileadmin/wacker-neuson-group/03\\_sustainability/07\\_supply-chain-due-diligence-lksg/wng\\_sca-committee-diagram.png](https://wackerneusongroup.com/fileadmin/wacker-neuson-group/03_sustainability/07_supply-chain-due-diligence-lksg/wng_sca-committee-diagram.png).

These key performance indicators are due to be used in fiscal 2024.

## E. Review of the risk management system

**Does the organization have processes and/or measures in place to ensure that when establishing and implementing its risk management system, due consideration is given to the interests of its employees, employees within its supply chains and those who may otherwise be directly affected in a protected legal position by the economic activities of the organization or by the economic activities of an organization across its supply chains?**

**In which areas of risk management are processes and/or measures in place to ensure that consideration is given to the interests of potentially affected persons?**

- Resources and expertise
- Preventive measures
- Remedial action
- Whistleblower system

**Describe the processes and/or measures for the respective area of risk management.**

Resources and expertise: In order to promote awareness of the LkSG and its protected legal provisions among the affected persons, up-to-date information on the relevant protected legal provisions is made available on the Intranet in the organization's own business area. The internal contacts for LkSG-related matters provide training and are always on hand to answer questions. An information leaflet on the LkSG and its protected legal provisions is also provided to suppliers and information videos have been made available. The objective for the WNG when implementing preventive measures and remedial action is to use its resources and expertise to support suppliers as far as possible to bring violations to an end or else reduce their impact, and to minimize risks.

Preventive measures: In discussions with industry associations and other companies, the WNG endeavors to continuously improve its preventive measures and to take even more consideration of the interests of potentially affected persons. The WNG regards respect for human rights and commitment to protecting the environment as the shared responsibility of all stakeholders. Accordingly, the contracts drawn up by the WNG set out mutual obligations to comply with its Code of Conduct for Suppliers and an undertaking by the WNG to support suppliers in implementing preventive measures.

Remedial action: The remedial action for concrete violations is, if possible, elaborated in coordination with the affected persons.

Whistleblower system: Potentially affected persons may submit tip-offs anonymously using the WNG's whistleblower system. These are evaluated in order to incorporate the findings into the WNG's continuous improvement of its due diligence processes.