
Due Diligence Obligations in Supply Chains

Policy Statement

on the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Lieferkettensorgfaltspflichtengesetz - LkSG) and its implementation at the Ludwig Maximilian University Hospital Munich

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Foreword and statement by the Executive Board

The Ludwig Maximilian University Hospital Munich (LMU Klinikum), as a public law institution with legal capacity, is aware of its responsibility and is committed to respecting human rights and environmental obligations within its own area of business (including its subsidiaries) and the supply chain and regards the protection of these two goods as central elements.

The LMU Klinikum is strongly committed to ensuring that the medical technology products it uses are manufactured and services it procures and offers are provided in such a way that human rights and the environment are respected and the fundamental dignity of workers is protected.

Responsibility for the implementation of this policy statement is steered by the Executive Board. This ensures that every unit of the hospital is aware of its own responsibility for respecting human rights and implementing them on a daily basis.

All employees of the LMU Klinikum are required to observe the principles of ecological, social and ethical behaviour and sustainability and to integrate these into our corporate culture at all times.

This is our commitment and our expectation of all employees at all levels and of our suppliers.

1. International standards and guidelines

In line with the Guiding Principles on Human Rights, LMU Klinikum is committed to the principles of the following internationally recognised human rights frameworks and standards:

- United Nations Universal Declaration of Human Rights (UDHR (A/RES/217, UN Doc. 217/A-(III))
- UN Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises
- Conventions and recommendations of the International Labour Organisation (ILO) on labour and social standards (ILO Core Conventions)
- Charter of Fundamental Rights of the European Union (EU Charter of Fundamental Rights)
- European Convention for the Protection of Human Rights and Fundamental Freedoms (European Convention on Human Rights)

The principles of human rights and environmental strategy set out in this declaration apply to the entire area of business of the LMU Klinikum and its subsidiaries and must be complied with by the Executive Board and employees in the performance of the tasks assigned to them. The LMU Klinikum expects all suppliers to comply with human rights and environmental obligations. Respect for and observance of human rights and environmental obligations is the basic prerequisite for cooperation with the LMU Klinikum.

2. The Supply Chain Due Diligence Act

The Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG) aims to ensure human rights and environmental standards along the supply chain. To this end, it

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defines a series of protected legal positions whose imminent violation is to be prevented through extensive due diligence obligations.

According to Section 6 (2), every company falling within the scope of the LkSG must adopt a policy statement on its human rights strategy. This must describe the procedure by which a company fulfils its due diligence obligations in its own area of business and in the supply chain. The human rights and environmental risks that have been prioritised on the basis of the risk analysis must be named. Finally, the policy statement on the human rights strategy defines the human rights and environmental expectations that a company has of its employees and suppliers in the supply chain.

3. Respect for human rights and the environment in the supply chain

The LMU Klinikum takes appropriate and effective measures to identify and verify human rights and environmental risks in its own area of business and in the supply chain and to prevent the realisation of risks. If it is determined that a violation of a human right or environmental obligation has occurred or is imminent, a targeted remediation process is put in place as part of which individual measures are taken to end a violation and minimise its consequences.

4. Measures for effective risk management

The LMU Klinikum fulfils its human rights and environmental obligations under this Declaration of Principles with the measures described below. These should lead to an improvement in the international human rights situation and serve the interests of environmental protection and sustainability by defining requirements for responsible and sustainable management of supply chains.

a) Effective risk management

The risk management system establishes processes for the implementation of due diligence obligations and defines areas of responsibility, competences and reporting lines.

The due diligence obligations are anchored horizontally within the LMU Klinikum. All relevant units and departments – central purchasing and procurement, construction technology and real estate, pharmacy, medical technology and IT, human resources, legal and compliance – are included in the implementation steps.

The due diligence obligations are anchored vertically by defining supervisory and coordination responsibilities at department management level.

The LMU Klinikum has appointed a Human Rights Officer who monitors risk management for its own area of business and the supply chain and carries out annual and ad hoc effectiveness reviews. The Human Rights Officer reports directly to the Executive Board.

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b) Risk analysis

The LMU Klinikum obtains an overview of its own procurement processes, the structure of its direct suppliers and the most important groups of people affected by the company's business activities. The LMU Klinikum prepares an annual risk analysis within its own area of business and with direct suppliers with regard to compliance with human rights and environmental obligations. In addition, risk analyses are carried out on an ad hoc basis for the company's own area of business as well as direct and indirect suppliers.

Due to the complexity and scope of a university hospital's supply chains, technical solutions are used to support the identification, verification, weighting and prioritisation of risks. In use is a holistic software solution for the legally compliant and automated implementation of the requirements of the German Supply Chain Due Diligence Act (LkSG).

The risk analysis system used by the LMU Klinikum enables the individual risks of each supplier to be determined. Based on general supplier information - in particular country of origin and sector - an abstract risk analysis is carried out based on a large number of recognised indices and studies by external experts. Based on this, further supplier-specific, concrete risk identification efforts are initiated if necessary. The results obtained are weighted and prioritised, taking into account the appropriateness criteria in accordance with Section 3 (2) LkSG. The final step is to identify the need for action with regard to any necessary preventive and remedial measures in order to minimise risks or address any breaches identified.

The findings of the abstract analysis methodology are also taken into account for the companies in our own division. Additionally, internally existing risk information is pooled or newly collected and the appropriateness criteria are applied. In contrast to the suppliers, however, there is no prioritisation approach here, meaning that the company's own area of business is fully included in the analysis. Here too, identifying the need for action is the final step in the process.

c) Prevention

The comprehensive risk analysis is supplemented by appropriate and effective preventive measures. These include first and foremost the implementation of the human rights strategy described in this declaration in the relevant business processes. This includes, among other things, the organisation of training courses in relevant business areas. In particular, the employees responsible for implementing the human rights and environmental due diligence obligations regularly take part in further training measures in order to be able to implement the human rights and environmental protection requirements in the own area of business and in the supply chain.

The LMU Klinikum carries out regular and ad hoc checks in its own area of business in order to identify and minimise risks at an early stage. The LMU Klinikum monitors suppliers within the scope of legal possibilities and requirements as well as contractual agreements.

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The LMU Hospital requires suppliers to pass on human rights and environmental expectations in the supply chain. A code of conduct for suppliers and contractors of the LMU Klinikum forms the basis for entering into a new business relationship. This also regulates the organisation of training and further education for suppliers.

d) Remedy

The LMU Klinikum encourages all stakeholders to raise concerns about its activities and suspected violations of legal guidelines, including this statement. If there is a suspicion that the LMU Klinikum's business activities are causing or contributing to violations of human rights or environmental obligations, the LMU Klinikum will investigate, address and respond to the concerns raised and take appropriate corrective action within its own area of business or with respect to its direct and indirect suppliers, as appropriate.

The LMU Klinikum obliges its suppliers to contribute to the clarification of facts and to cooperate fully within a reasonable time frame.

Depending on the severity of a violation, the LMU Klinikum reserves the right to take appropriate action in connection with its suppliers, ranging from a request to remedy the violation immediately to legal action and termination of the business relationship. The aim is always to prevent or end a breach or to minimise the extent of a breach. The LMU Klinikum participates in the implementation of remedial measures with suppliers on site in accordance with its obligations under the LkSG. The most serious step of terminating the business relationship is only used as a last resort.

e) Complaints management

A functioning complaints procedure that is accessible to all affected parties in the supply chain, from employees to suppliers and third parties, plays an important role in identifying risks and violations in the supply chain. It is important that information can be submitted anonymously and confidentially.

For this reason, an anonymised complaints procedure has been set up at the LMU Klinikum, which can be accessed via the LMU Klinikum website and intranet. The complaints system is multilingual and takes into account the complexity of the supply chain. Any access threshold is set low in order to make it as easy as possible to submit complaints.

Complaints are processed confidentially and swiftly. The employees involved in processing complaints are not subject to any instructions as part of the complaints management; their neutrality is guaranteed. Every complaint triggers an assessment and action process, which ends with the cessation of the reported violation or the minimisation of an identified risk. The detailed process of the complaints procedure is explained in the rules of procedure, which are publicly accessible on the LMU Klinikum's website and are therefore transparent for complainants.

Information and complaints submitted are also taken into account as part of the risk analysis.

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f) Documentation and reporting

The implementation of all due diligence obligations is documented. The LMU Klinikum uses a central supply chain-related risk management system to pool all accessible information on recognised risks and preventive and corrective measures taken. Relevant risks derived from this can be incorporated into the hospital's centralised business risk management system.

The LMU Klinikum is also committed to transparent communication on the human rights and environmental challenges to which the LMU Klinikum is exposed. Recognised risks, measures taken and the progress made are communicated annually through public reporting.

5. Structure and accountability

Responsibility for the implementation of and compliance with this "policy statement" lies with the Executive Board of the LMU Klinikum.

The duties of the Human Rights Officer as per Section 4 (3) LkSG are assumed by the head of the Legal and Compliance Department. He/she monitors the established risk management system. Operational leadership, including the cross-departmental coordination of activities, is assumed by the unit Sustainability / Strategic Corporate Management.

The affected organisational units of the LMU Klinikum ensure the integration of the processes set out in this policy statement in their respective areas of responsibility with the support of the unit Sustainability/Strategic Corporate Management.

6. Expectations of oneself and of suppliers

In relation to its own area of business (including its subsidiaries), the LMU Klinikum has prioritised the following risk areas as a result of its risk analysis:

- Occupational health and safety and work-related health hazards

The LMU Klinikum is committed to ecologically and socially responsible corporate governance and strives to continuously optimise its business activities in terms of respecting human rights and environmental concerns, i.e. to continuously improve in its own problem areas.

In relation to its direct suppliers, the LMU Klinikum has prioritised the following risk areas as a result of its risk analysis:

- Unequal treatment in employment in any form (e.g. based on national and ethnic origin, social background, health status, disability, sexual orientation, age, gender, political opinion, religion and belief)
- Withholding an appropriate wage
- Environmental pollution

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- Production and/or use of banned persistent organic pollutants (POPs) within the scope of the Stockholm Convention and non-environmentally sound management of waste containing POPs

The LMU Klinikum expects its suppliers to be particularly aware of these risk issues and to address them, to generally commit to respecting human rights and the environment beyond these issues and to work towards their protection, as well as to address these expectations towards their own suppliers along the supply chain.

Via its General Terms and Conditions of Business or via supplier declarations to be submitted upon initial contact, the LMU Klinikum therefore obliges its direct suppliers to comply with all laws and regulations with regard to humane and healthy working conditions and environmental protection, which are specified in particular by the LkSG.

7. Outlook

The LMU Klinikum is aware that the implementation of human rights and environmental due diligence obligations is an ongoing process that must be continuously developed and optimised. The LMU Klinikum is therefore committed to continuously reviewing, developing and improving its own measures in order to ensure the effectiveness and efficiency of all human rights and environmental due diligence obligations.