

2.3. Materiality Analysis

Products and value chains come with numerous sustainability-related impacts. For example, we know that labor rights violations are prevalent in manufacturing and that greenhouse gas emissions are high when using heavy machinery. With these and many other sustainability topics known and publicized, it can **be difficult to determine which ones to focus on.**

Why undertake a double materiality analysis?

This is where a double materiality analysis comes in. The analysis is designed to help us identify the most **relevant sustainability topics**, so that we can make them a priority in our Sustainability Mission. Simply put, a so-called material sustainability topic is a topic that is very relevant for us. The double materiality analysis fits the requirements of both GRI Standards and the CSRD (for the detailed method see chapter 6.2). The analysis was conducted in the first half of 2024. The deadline for including information was June 30, 2024.

The materiality analysis is called double because it covers two areas: beeline's impacts on people and the environment (**impact materiality**; inside-out perspective) as well as financial risks and opportunities relating to these impacts (**financial materiality**; outside-in perspective). Moreover, we assess the perspectives of our stakeholders (**stakeholder perspective**).

Material topics

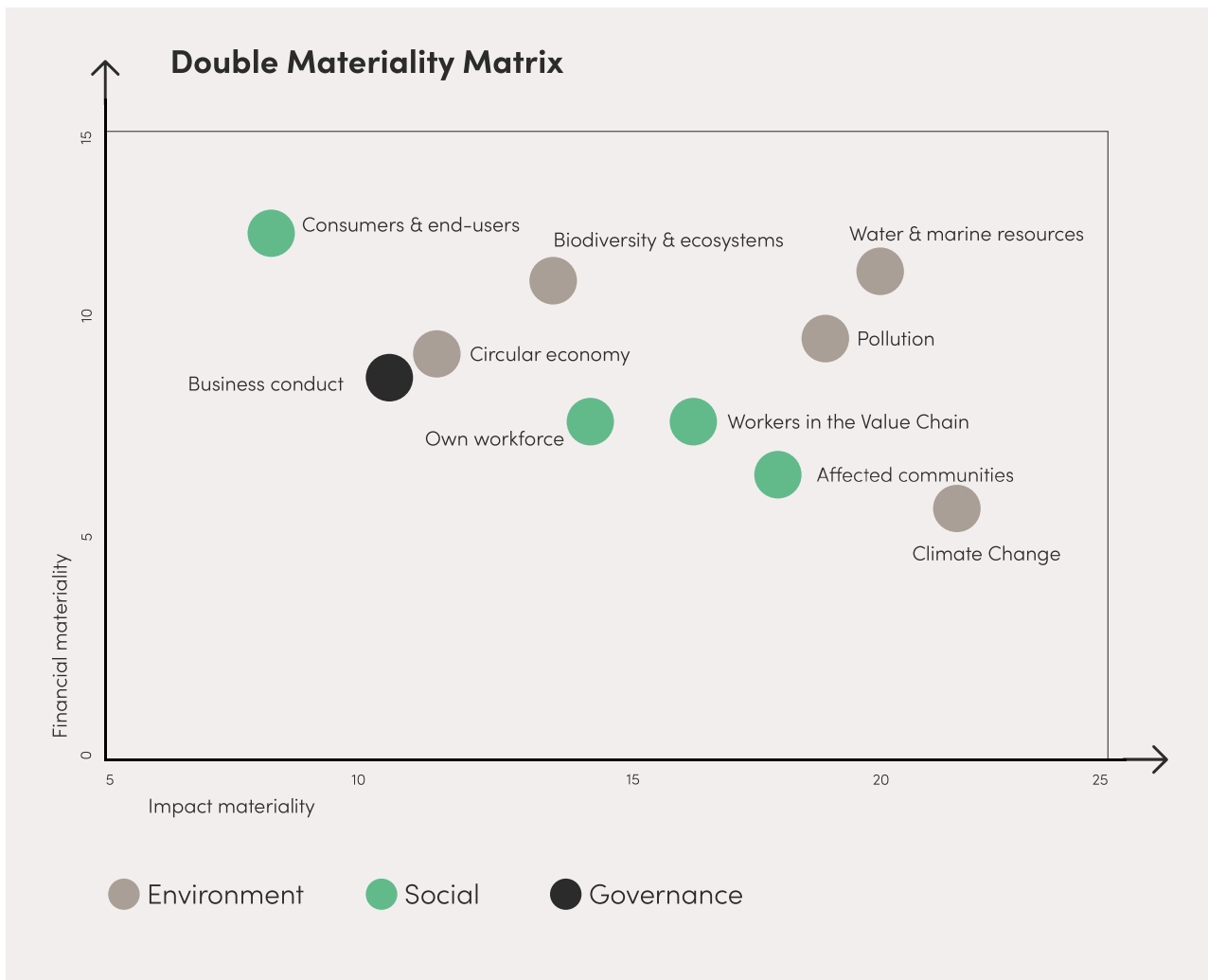
The result of the materiality analysis is an overview of material topics (for a detailed overview see chapter 6.3). The following **Double Materiality Matrix** shows which topics are particularly relevant to beeline, regarding impact materiality as well as

financial materiality. Topics in the upper right corner of the matrix are considered highly relevant, such as "Climate change" (see chapter 3.1), "Pollution" (see chapter 3.2), and "Workers in the value chain" (see chapter 4.2). Topics in the lower left corner of the matrix are considered less relevant. Compared to the Sustainability Report 2020-22, there is now a higher number of material topics. This is because we have extended our double materiality analysis and have analyzed more topics.

We also analyzed for which part of the value chain these topics are material. There are two **upstream value chain** parts that are particularly heavy on material topics: raw material extraction and processing & manufacturing. These topics are already very present within our Sustainability Mission (see chapter 2.4).

The **downstream value chain** is a lot less heavy on material topics. This is, firstly, due to the fact that we do not operate our own stores but use a concessions and wholesale model (see chapter 2.1). Secondly, we identified a number of topics that we assessed not to be material. That means that we know that there are sustainability topics associated with our downstream value chain, but that, as of now, they have less of a relevance to us compared to our upstream value chain.

These and further results of the materiality analysis will be used within the **development of our Sustainability Mission**. As the materiality analysis has been finalized in 2024, the integration of its results into the Sustainability Mission is yet to be carried out. How material topics are prioritized and integrated into this strategy, will be reported during the reporting periods to follow.



Double materiality matrix

	Climate protection	Pollution	Water & marine resources	Biodiversity & Ecosystems	Resource Use & Circular Economy
Raw material extraction	●	●	●	●	●
Processing & manufacturing	●	●	●	●	●
Own business area	●			●	
Transportation	●			●	
Distribution					
Consumption					
Disposal					

	Own workforce	Workers in the Production Chain	Affected Communities	Consumers and End-Users	Business Conduct
Raw material extraction		●	●		
Processing & manufacturing		●	●		●
Own business area	●			●	●
Transportation		●			
Distribution					
Consumption				●	
Disposal					

Material IROs along the value chain

6.2. Materiality Analysis Method

Our materiality analysis is designed to help us identify the most **relevant sustainability topics**, so that we can make them a priority in our Sustainability Mission. Simply put, a so-called material sustainability topic is a topic that is very relevant for us. The double materiality analysis fits the requirements of both Global Reporting Initiative Standards (GRI Standards) and the EU Corporate Sustainability Reporting Directive (CSRD).

The materiality analysis is called double because it covers two areas: beeline's impacts on people and the environment (**impact materiality**; inside-out perspective) as well as financial risks and opportunities relating to these impacts (**financial materiality**; outside-in perspective). Moreover, we assess the perspectives of our stakeholders (**stakeholder perspective**).

Overview of the method

In more detail, we identify what is called IROs, which means impacts, risks, and opportunities. There are four kinds of IROs: There are **positive impacts** which are beneficial effects a company's activities can have on people or the environment e.g., social well-being that comes from good employment. There are **negative impacts** which are adverse effects a company's activities may have on people or the environment e.g., GHG emissions that fuel climate change. There are **risks** which are potential adverse effects that sustainability-related issues could have on the company e.g., scarcity in energy resources. There are **opportunities** which are potential benefits that arise from sustainability-related issues e.g., cost savings through innovation.

Our materiality analysis comprises the following steps:

1. **Understanding the context:** We set the frame for the analysis, by summarizing the context in which we operate: Our business model, value chain, and stakeholders.
2. **Identification of potential IROs:** We create a so-called long list of potentially relevant sustainability topics, by researching the following questions: How does our business impact people and the environment? How do social and environmental issues impact our business?
3. **Assessment of material IROs:** We narrow the long list of potential topics down to a short list of material topics. We do that by assessing the materiality of topics in two categories: severity (How grave is it?) and likelihood (How probable is it?). Each topic gets points in each of the categories. Once a topic gets a certain number of points, it is considered material. Material topics are then clustered to get a better overview. Clustered material topics get prioritized within the development of our Sustainability Mission.
4. **Validation and reporting:** Throughout the whole process, we involve internal and external stakeholders. Their perspectives matter in determining which topics are material and in validating whether our analysis is correct. After finalizing the analysis, we determine the information to be put into our sustainability reporting.

Step	1. Understanding the context of beeline	2. Identification of impacts, risks and opportunities (IROs)	3. Assessment of material impacts, risks and opportunities (IROs)	4. Validation and reporting of material information
Action	<ul style="list-style-type: none"> Overview on sustainability context of business model & value chain Analysis of stakeholders 	<ul style="list-style-type: none"> Analysis of how business impacts people and the environment (impact materiality) Analysis of how environmental and social issues impact business (financial materiality) Stakeholder feedback to identify IROs 	<ul style="list-style-type: none"> Assessment of impact and financial materiality according to severity and likelihood Clustering of material IROs into material topics and prioritization within beeline Sustainability Mission 2025 Stakeholder feedback to assess IROs 	<ul style="list-style-type: none"> Stakeholder feedback to validate assessment of IROs Determination of material information to be reported
Result	Context overview Stakeholder overview	"Long list" of potentially material topics	"Short list" of material topics Double materiality matrix	Sustainability reporting

Overview of the method for materiality analysis

In detail: Understanding the context

We set the frame for the analysis by understanding our business model, value chain, and stakeholders. In a nutshell, we are a **supplier of fashion jewelry and accessories**. Our main product groups are fashion jewelry, fine jewelry, textiles, eyewear, and hair accessories. Our main **production countries** on tier 1 and 2 are China, Thailand, Vietnam, India, and Italy (Italy was left out of the assessment as it will not be a production country from 2024 onwards).

The main raw materials used are plastics, zinc and steel (see chapter 2.1). As we currently have transparency up to tier 2 and cannot accurately place tier 3 and 4 production sites, we focus on China as they are the main origin country for plastics, zinc and steel. **Our prioritized stakeholders** are internal teams and management, suppliers, sales partners, civil society organizations, banks & investors, workers in the value chain, authorities, and end customers (see chapter 2.5).

In detail: Identification of potential IROs

With this step, we create a so-called **long list of potentially material sustainability topics**, by researching the following questions: How does our business impact people and the environment? How do social and environmental issues impact our business?

The analysis includes a review of relevant **laws** (such as the German Supply Chain Act or the EU Green Deal), **frameworks** (such as the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work), **indices** (such as the Global Rights Index by the International Trade Union Confederation), and **further literature** (such as reports by non-government organizations). Also, the analysis includes feedback on potential topics that we have received from internal and external stakeholders.

In detail: Assessment of material IROs

Now, we narrow the long list of potential topics down to a short list of material topics. We do that by assessing the materiality of topics. The **impact materiality**, which is the materiality of positive and negative impacts,

is assessed in the following categories:

- severity / scale (How grave is it?) – rated from 0 to 5
- severity / scope (How widespread is it?) – rated from 0 to 5
- severity / irremediability (Is it hard to counteract?) – rated from 0 to 5
- likelihood (How probable is it in 3-5 years?) – rated from 0 to 5

The **financial materiality**, which is the materiality of risks and opportunities, is rated in the following categories:

- severity /use of resources (Can we continue to use current resources?) – rated from 0 to 4
- severity / business relationships (Can we continue current business relationships?) – rated from 0 to 4
- likelihood (How probable is it in 3-5 years?) – rated from 0 to 5

Material topics are then **clustered** to get a better overview. Clustered material topics get **prioritized** within the development of our Sustainability Mission.

Impact materiality		Financial materiality	
Negative impacts	Positive impacts	Risk	Opportunity
scale	scale	use of resources	use of resources
scope	scope	business relationships	business relationships
irremediability	-	-	-
likelihood in 3-5 years	likelihood in 3-5 years	likelihood in 3-5 years	likelihood in 3-5 years

Chart title Categories in which materiality of IROs is assessed

Each topic gets points in each of these categories. From these points a **materiality score** is calculated. For positive and negative impacts, severity is calculated by forming the average of the values for scale, scope and irremediability. For risks and opportunities, severity is calculated by forming the average of the values for use of resources and continuation of business relationships. The materiality score is calculated by multiplying severity and likelihood. The threshold for materiality in our analysis is a materiality score of 8 or higher. If a topic gets a materiality score of 8 or higher, it is considered material – which is to say, particularly severe and, at the same time, likely to occur.

Material topics are then clustered to get a better overview. Clustered material topics get prioritized within the development of our Sustainability Mission.

In detail: Validation and reporting

Throughout the whole analysis, we involve internal and external stakeholders. Their perspectives matter in determining which topics are material and in validating whether our analysis is correct. We include **feedback from the following stakeholder groups:** internal teams and management, production partners, sales partners, civil society organizations, and banks & investors.

Based on the identification of material topics, we determine the information which is to be put into our sustainability **reporting**.

Impact materiality		Financial materiality	
Negative impacts	Positive impacts	Risk	Opportunity
Severity = (scale x scope x irremediability) / 3	Severity = (scale x scope) / 2	Severity = (use of resources x continuation of business relationships) / 2	
Materiality score = severity x likelihood			
If materiality score >= 8, then topic is considered material			

Overview of the method for materiality analysis

6.3. List of Material Topics

We have identified the following material topics:

Climate protection

Material topics are prevalent in our own business activities as well as in our business relationships. In our own business area, emissions occur from the use of fossil energies for the operation of company sites and fleets. In our production chain, emissions arise from the operation of production units and from the extraction and processing of raw materials. Also, we use a considerable share of fossil-fuel based raw materials such as plastics that are associated with greenhouse gas emissions during their extraction, refining, and whole life cycle. Risks associated with climate change for our business are: Potential price increases for emissions, potential price increases for energy use, and potential scarcity and price increase for fossil-fuel based raw materials.

Pollution

Material topics are prevalent in our business relationships. Negative impacts that can come from the production processes in our upstream value chain are the emission of pollutants to air, water and soil, and the potential pollution of living organism and food resources. Our production uses substances of (very high) concern that might negatively impact water bodies and human health. Microplastics may be emitted to the environment during production.

Water and marine resources

The material topics identified relate to our business relationships as well as to our own business activities. Water consumption and water withdrawals can negatively impact water stress in certain areas in our upstream value chain as well as in our own business area. Water discharges into water bodies and/or the ocean that are not adequately clean can negatively impact aquatic life and human health.

Biodiversity and ecosystems

Material topics are prevalent in our own business activities as well as in our business relationships. We have identified the following negative impacts that are direct drivers of biodiversity loss: climate change, land-use change (that might come from raw material extraction or the establishment of new production facilities), water consumption and pollution through water discharge. We transport goods globally and have therefore identified negative impacts that are associated with transportation, such as the introduction of invasive alien species into other ecosystems. Further potential negative impacts are indirect drivers of biodiversity loss such as land degradation, desertification and soil sealing. These impacts cannot be ruled out for our own sites and the production units that we work with. In addition, we have identified the risks that come with diminished or destroyed ecosystem services that we depend on.

Resource use and circular economy

Material topics are prevalent in our business activities as well as in our business relationships. The use of recycled materials and an increased recyclability of our packaging are positive impacts when it comes to decreasing resource use. A negative impact is the hazardous waste that accumulates from certain production processes at our supplier' sites that needs to be adequately managed.

Own workforce

Material topics are prevalent in our business activities. We conduct a social dialogue between employees and management within our business area that impacts positively working conditions. Work-life balance and the training and skills development that we offer has also been assessed to be a positive impact. We have identified negative impacts concerning working conditions; among others, inadequate wages, a gender pay gap, the underrepresentation of women in management positions, and a lack of sensitivity towards diversity.

Workers in the production chain

Material topics are prevalent in our business relationships. In our upstream value chain, we have identified negative impacts regarding working conditions (such as insecure employment, overtime, and inadequate wages) and a lack of equal treatment and opportunities (such as a gender pay gap and a lack of training and skills development). We have identified the positive impact of continued dialogues between workers and management.

Affected communities

Material topics are prevalent in our business relationships in the upstream value chain. These topics are potential ones that we cannot rule out and that are potentially most apparent for communities affected by sites for raw material extraction. However, as of now, our knowledge of where exactly these sites are located, is limited. We cannot rule out the following negative impacts: lack of adequate housing and food, limited access to water and sanitation, resettlement, restricted freedom of assembly and expression, and the violation of the rights of indigenous peoples.

Consumers and end users

Material topics are prevalent in our business activities as well as in our business relationships. We have identified product safety and quality as well as customers' health as material topics. These material topics relate, firstly, to the products themselves and, secondly, to the ways in which we communicate about them. Negative impacts arise from substances of concern that are used in production and that might be present in final products. Together with suppliers, it needs to be ensured that finished products do not contain and/or release these or other harmful substances. With regard to the labelling and marketing of products, customers are entitled to have easy access to quality information about the safety and quality of our articles.

Business conduct

Material topics are prevalent in our business activities. We have identified the following positive impacts: We promote good business conduct by working according to our Code of Conduct. We require our suppliers to work according to our Supplier Code of Conduct. We also have established Sustainability & Responsibility as one of the four pillars of our corporate culture. We have established trainings and communication to prevent and detect corruption and bribery. A negative

impact is that we have seen unauthorized subcontracting and outsourcing from suppliers which we counteract with appropriate policies and actions. We have identified tax governance, control and risk management as opportunities.