



# Strategy

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# Sustainability Management

Sustainable action across all processes, departments and areas of responsibility is an integral part of our business activities. Crucial to this is our aspiration to continuously do better. This requires us to consistently pursue and regularly review our defined goals and targets. In addition to evaluating the progress made, this is also based on being receptive to external impulses and developments. Over the past few years, we have seen that pursuing our strategy with conviction bears fruit. This incentivizes us for the future as much as the increased expectations placed in us by our own employees, our customers or the more stringent regulatory requirements.

Reducing and managing our own emissions as well as those along the supply chain remains of crucial importance for our sustainability agenda. Our climate protection target, validated by the independent Science Based Targets initiative (SBTi), sets the direction. In order to make an even greater contribution to achieving national and global thresholds in the fight against climate change, we decided to tighten our target once again in 2023 by aligning it with the 1.5°C benchmark in accordance with the Paris Climate Agreement. In addition, our sustainability management focuses on other important issues, such as respecting human rights along the entire supply chain and ensuring comprehensive occupational safety for our employees.

The economic and geopolitical environment remains challenging. While the global economy performed better than expected and the high inflation seen at the beginning of the year gradually subsided, the business climate continued to be characterized by a high degree of uncertainty due, among other things, to wars and crises as well as decreasing transport volumes. Other contributing factors are increasing customer demands with regard to speed, flexibility and the quality of supply, and increasing environmental awareness among the population. The shortage of skilled labor remains a pressing concern. Our sustainability activities reflect major changes in the framework conditions, which can also lead to delays in implementation. However, in all cases, our action is guided by our long-term ambition to strike a balance between economic performance, social commitment and responsibility for the environment. By giving consideration to all three of these aspects in equal measure, we gain a holistic understanding of the opportunities, challenges and interdependencies, and on this basis can act responsibly in all matters relating to sustainability.

Our commitment builds on the three pillars ENVIRONMENTAL, SOCIAL and ECONOMIC. We explain on ► page 16 which specific fields of action we have assigned to each of these pillars and where and to what extent we are influencing sustainable change. In doing so,

we are also guided by external objectives and frameworks. For example, in 2022 we already signed the UN Global Compact, committing ourselves to integrating its ten principles into our corporate strategy, culture and day-to-day operations. Joining the UN Global Compact Network Germany (UN GCD) in December 2023 was the next logical step. More detailed information about our material topics is provided in the Materiality Analysis section from ► page 21.

## Responsibilities and management accounting

Responsibility for monitoring, improving and implementing our sustainability management lies with our central Sustainability department, which also prepares this report and is assigned to the Finance department. Accordingly, the head of the central department reports directly to our CFO. The department is also where the sustainability-related activities from the AUTOMOBILE and CONTRACT Divisions are clustered, and it is also responsible for calculating our energy and carbon footprint as well as supporting cross-divisional energy management. In 2023, our head of Sustainability was also appointed human rights officer and in this role is responsible for the risk management system under the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG), among other things.



The team acts as an interface and generates important initiatives and ideas, driving sustainability throughout the company. Of particular importance in this connection is the definition and implementation of sustainability targets and the selection of appropriate standards. Thus, a number of objectives were newly developed or adapted in the year under review - an overview is provided in the table on ► pages 17-18. The Sustainability Board (SSB), which was set up in 2021 and includes representatives from the central Sustainability, Legal, Insurance & GRC, Purchasing, Financial Services/Investor Relations, Human Resources, Safety & Environmental Protection and Integrated Management Systems departments, is also involved in steering our goals. The Board's mission, tasks and roles are being more sharply defined in order to enable it to respond even better to new and upcoming legal requirements. In future, the Board will not only evaluate the sustainability objectives and targets, but also the tasks arising under the provisions of the German Supply Chain Due Diligence Act.

Aspects of social sustainability, and specifically the interests of our employees, are the responsibility of the central Human Resources department, represented on the Board of Management in the reporting year by our Labor Relations Director. We can only act sustainably across the board if we develop together - and to achieve this, we rely on feedback and dialog. Under the umbrella of our culture change initiative #SuccessDependsOnEverybody, staff are given regular opportunities for feedback to the Board of Management and other executive staff. The culture and message behind #SuccessDependsOnEverybody were communicated at seven roadshows in the reporting year, bringing the number of events held at our sites across

Germany since the start of the roadshows to over 130. Taken together, over 800 questions from employees were answered at the roadshows in 2022 and 2023. 2023 was also the year for the entire workforce - not just senior executives - to reflect on their own actions and their impact. Sustainably managing experiences and mistakes is, after all, firmly anchored in our corporate culture. For more information about the people at BLG and our role as an employer, please refer to the SOCIAL section from ► page 46.

### Values, guidelines and management systems

Our corporate values committed, respectful, passionate, responsible and open to change form the basis of our shared culture - and at the same time the guideposts for our sustainability management. Our set of guidelines maps the legal and ethical standards to which we have committed. This not only provides guidance for our employees in their day-to-day work, but also clearly communicates our expectations to partners and suppliers. Our overarching compliance system ensures adherence to laws and principles - more information in the respective section from ► page 63.

Our sustainability strategy is additionally flanked by tried-and-tested and in many cases certified management systems. These relate to quality management, environmental management, energy management, and occupational health and safety management. We have also established a compliance and information security management system. More details are provided in the relevant sections. We detail the key elements of our corporate governance structures in our Corporate Governance Report, which simultaneously constitutes the

corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB). This focuses on the corresponding statement by the Board of Management and the Supervisory Board and significant corporate governance practices that go beyond the statutory requirements. It also explains the procedures of the Board of Management and Supervisory Board including their composition. For more information, see the Governance section from ► page 23.

### Rankings and recognitions

BLG Handelslogistik GmbH & Co. KG is a member of the Advisory Board of the Lean & Green non-profit initiative. Having received the Lean & Green award in 2015, we now rank among the Lean & Green 1st Star winners in recognition of our significant reduction in CO<sub>2</sub> emissions. We again received honors in the reporting year, with our new and sustainable C3 Bremen logistics center scooping up two awards: the Supplier Award from our customer Mercedes-Benz Group AG and the special "Energy Efficiency" award of the German mobility industry.

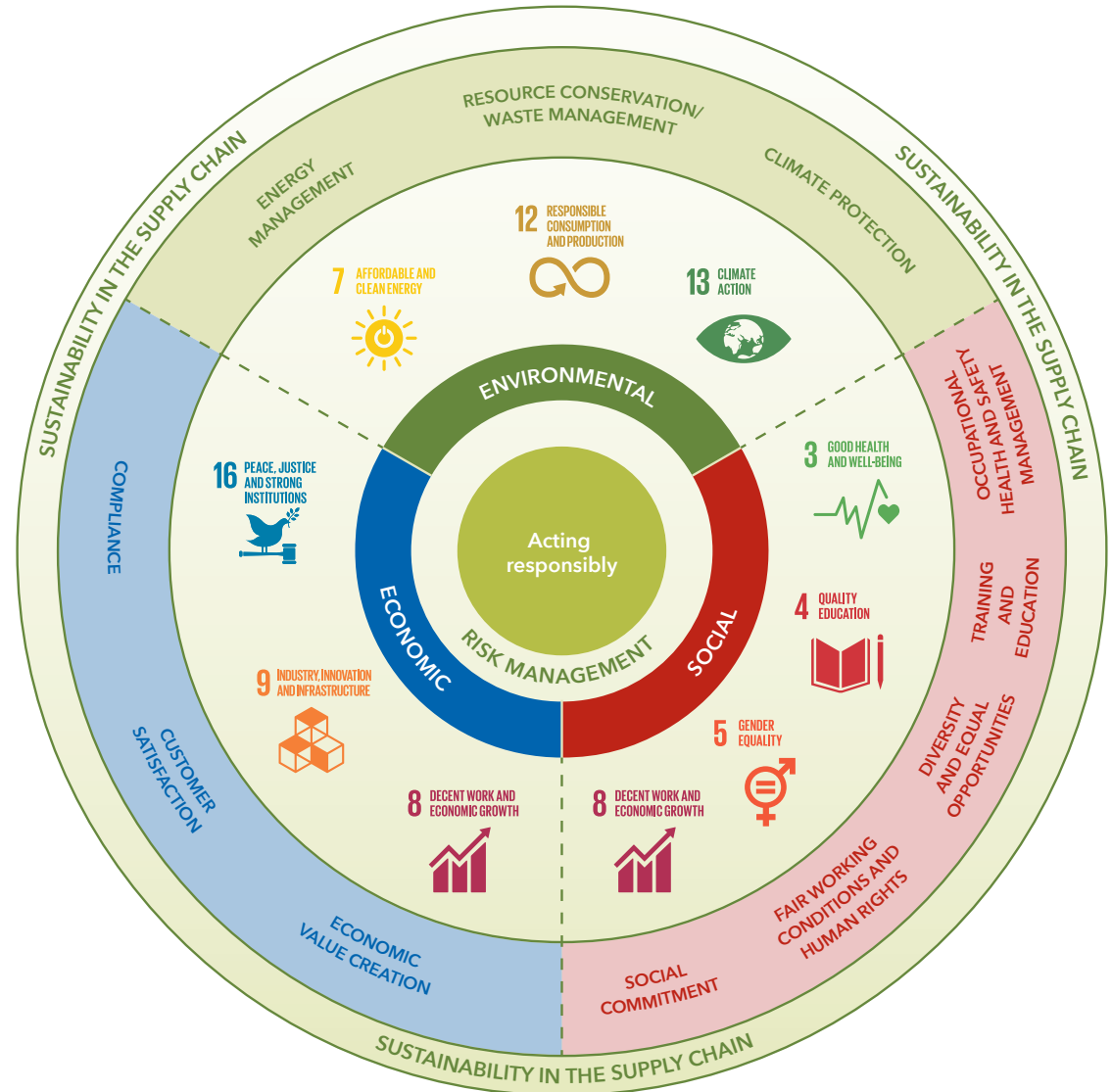
In order to obtain an independent appraisal, we regularly engage external agencies to evaluate our sustainability performance and again in 2023 achieved another silver CSR rating from EcoVadis, placing us among the top 23 percent of the companies assessed in our industry. For the third time, we disclosed our emission data to the Carbon Disclosure Project (CDP) in the reporting year. We were able to improve our ranking by one level to a "B" compared to the previous year and are now above the industry average.

## Our Sustainability Approach

For us, acting sustainably means striking a balance between economic performance, social commitment and responsibility for the environment. Our goal is to include all three perspectives in our decisions and to anchor the resulting holistic approach deeply within the company and all processes. Only in this way can we gain an overarching understanding of the correlations, be well equipped to meet challenges and take advantage of opportunities not only for us as a company, but also in terms of our role in shaping the sustainable logistics of tomorrow.

In a nutshell: We want to act responsibly in every respect. This aspiration forms the backbone of our activities. We have assigned 11 concrete fields of action to the three supporting pillars ENVIRONMENTAL, SOCIAL and ECONOMIC. These map where our business activities impact the environment and society and, conversely, which topics influence our business development. Here we set ourselves goals, strive for change and want to do our part to contribute to progress.

In addition, we are guided by the Sustainable Development Goals (SDGs) of the United Nations. These aim to shape the world's development in a sustainable way and to offer tomorrow's generations a future. We want to play our part in this area, too, and to this end focus on nine selected goals that are particularly closely linked to our business.



## Our New Sustainability Commitment Goals at a Glance

Our sustainability goals are developed through continuous internal and external dialog. This allows us to adopt more stringent targets if necessary, integrate new aspects or adjust KPIs. The targets listed here were adopted in 2023 and will apply in this form from 2024 or later. Some of them replace the previous targets, while others have been completely newly developed. Although the results for the 2023 reporting year are not yet measured against these targets, in the Status column we nevertheless provide an overview of where we currently stand.

SDG reference	Field of action	Target	Target horizon	Status 2023
<b>Climate Protection</b>				
	We will become climate neutral and in doing so reduce our CO <sub>2</sub> emissions within the company and externally. This goal is closely aligned with the Paris Climate Agreement.	<ul style="list-style-type: none"> <li>■ 30% absolute reduction in Scopes 1 &amp; 2</li> <li>■ 15% absolute reduction in Scope 3 (2018 baseline)</li> </ul> From 2025: more stringent target of 1.5°C*	€ by 2030	<ul style="list-style-type: none"> <li>■ -18.4%</li> <li>■ -27.4%</li> </ul>
<b>Energy Management</b>				
	We are continuously working to increase our energy efficiency as well as the share of renewables. To achieve the latter, we rely both on the purchase of green electricity as well as increasing our own production via photovoltaics.	100% green electricity	from 2025	59% (incl. support from the Renewable Energy Sources Act)
<b>Waste Management and Resource Conservation</b>				
	We take responsibility for the environmentally compatible use of resources and aim to reduce our waste volume by avoiding, reducing, recycling and reusing waste.	≥ 90% rate of separate collection	annually	88%

\*Validation of the more stringent climate target by the Science Based Targets initiative (SBTi) is still pending at the time of publication.

SDG reference	Field of action	Target	Target horizon	Status 2023
<b>Occupational Health and Safety Management</b>				
	We take responsibility for providing a safe working environment with a focus on accident prevention. We also support our employees in staying healthy through a number of preventive measures.	0 accidental deaths	annually	0
		By 2024: ≤ 35 accident rate (1,000 employee rate at Group level)	annually	41
		From 2025: reduce the accident rate (LTIF) by 10% annually	annually	-
<b>Fair Working Conditions and Human Rights</b>				
	Our employees are crucial to our success. We offer them safe, attractive workplaces with fair pay, and are also mindful of the working conditions of the people in our supply chain.	100% of our own employees and temporary employees are covered by collective agreements (or at least with a comparable wage level)	annually	97.7% (covered by collective agreements)
<b>Diversity &amp; Equal Opportunities</b>				
	We employ people from more than 60 nations and respect their diversity. We also offer our employees equal career opportunities and in particular promote women in management.	≥ 30% proportion of women on average at management levels 0-3	by 2025	26.3%
<b>Training and Education</b>				
	Our training programs take account not only of qualifications but also of personal background and life situation. We offer our employees further development opportunities throughout their careers.	From 2025: ≥ 2.0% trainee ratio	annually	1.9%
		≥ 5,5 centrally recorded training hours per employee p.a.	by 2025	4.8
<b>Compliance</b>				
	We conduct our business in accordance with the law. We involve the entire organization by providing information and knowledge transfer.	From 2024: 90% of management staff (management levels 0-3) have a valid compliance training certificate	annually	90.8% (within a three-year cycle)

Still pending  
 In progress  
 On course  
 Achieved

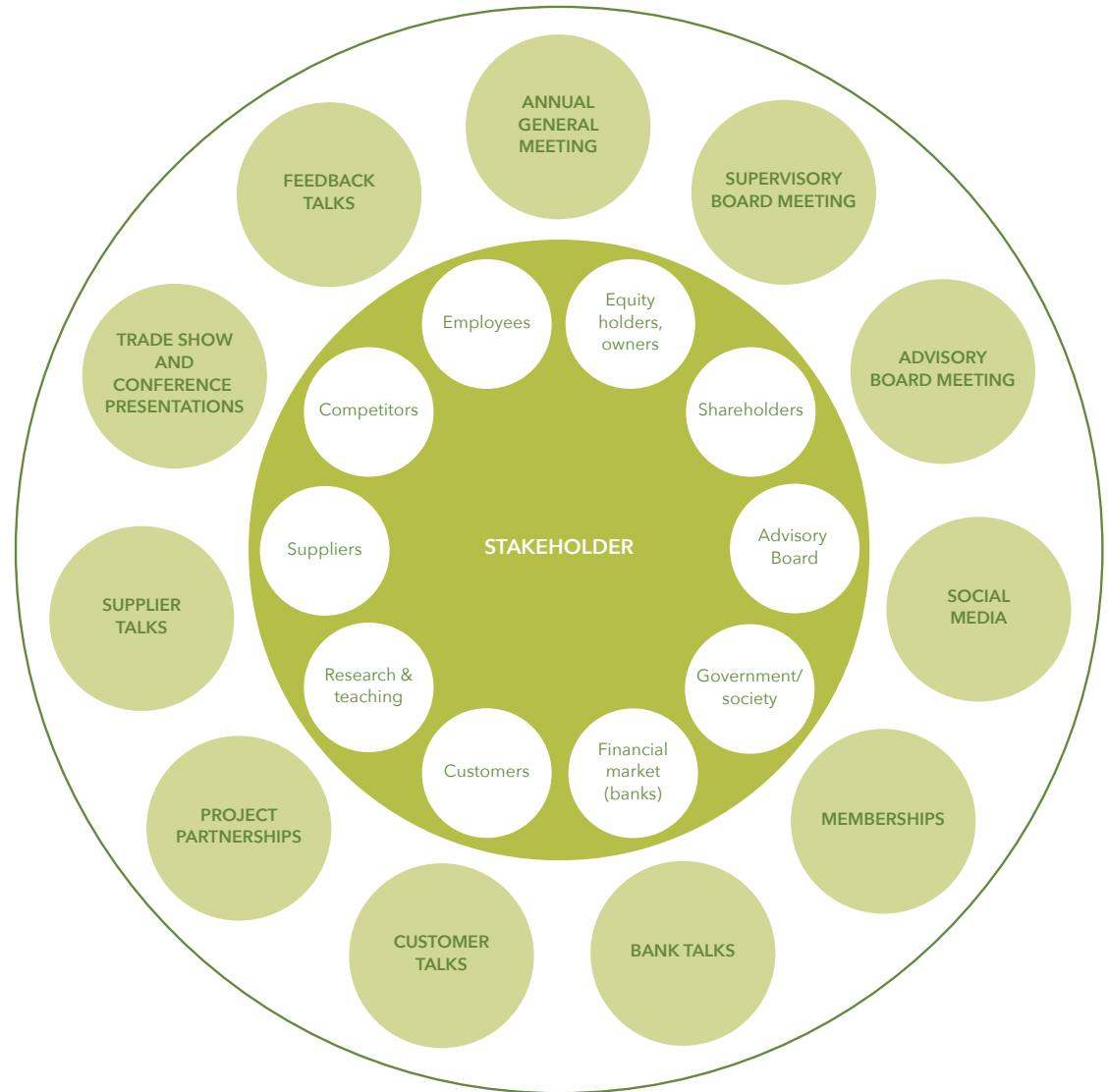
Relevant for remuneration

**Fostering dialog with our stakeholders**

When formulating the direction and the goals of our sustainability management, we take the perspectives and interests of our stakeholders into account. This includes all persons or groups who are directly or indirectly affected by our business activities now or in the future. With many of them we foster a regular dialog, giving particular priority to our customers’ needs. We communicate with them closely and as partners – all the more so where we specifically perform preliminary work for customers in our branches or at their own production sites. This exchange intensifies when developing new logistics sites or joint major projects and provides extremely focused and valuable feedback.

We also place a special focus on incorporating the expectations of our employees into our decision-making. One of the ways in which we do this is through the feedback conversations among colleagues and/or with supervisors. We also survey the people at BLG annually on employee mobility and have made reducing emissions in this area part of our climate protection strategy.

Similarly, we maintain close contact with the City of Bremen as our main shareholder. We provide information, participate in exchange formats and, last but not least, support Bremen’s climate protection goals through our own commitment to climate protection and our ambitious climate targets.




**Important memberships in associations, organizations and initiatives**

- |   |   |
|---|---|
| - Central Association of German Seaport Operators         | - Charter of Diversity  |
| - German Logistics Association (BVL)                      | - Awards Association Bremer Diversity Preis                                     |
| - German Transport Forum                                  | - Work-life balance initiative berufundfamilie                                  |
| - Business Association Wirtschaftsverband Weser           | - Lean & Green  |
| - Company association Unternehmensverband Bremische Häfen | - Partnership of Environmental Enterprises (PUU)                                |
| - German Freight Forwarding and Logistics Association     | - Mobility2Grid   |
| - Promotional association Logistics Alliance Germany      | - United Nations Global Compact (UNGC)  |
| - AKJ Just-in-Time Working Group                          | - UN Global Compact Network Germany   |
| - Association of European Vehicle Logistics (ECG)         | - Taskforce „Nachhaltiger Schwerlastverkehr“ of the German Energy Agency (dena) |

We also participate in the Überseehafen Round Table under the auspices of the Senator of Economic Affairs, Ports and Transformation and organized by bremenports. As a member of the steering group and in cooperation with the companies involved, we are pursuing the common goal of ensuring a permanently resilient supply of the Bremerhaven overseas port, while at the same time realizing a CO<sub>2</sub>-neutral port location. We reach other important groups through individual formats – see graphic on ► page 19. We also benefit from the fact that nearly all stakeholders of material importance to us sit on the Supervisory Board via representatives from industry, banks, the workforce, labor unions and the public sector. Our Advisory Board is made up of experts specializing in sustainable logistics, process innovation in logistics and

junior management training as well as representatives from business, trade associations and media.

It is an indisputable fact that the transformation to a sustainable economy can only succeed if we work together, which is why we collaborate with partners, institutions and also competitors in associations and professional circles to address the challenges we are all facing. Our CEO Frank Dreeke was a member of the Board of the Central Association of German Seaport Operators (ZDS) in the reporting year, having previously been Chairman for many years. The ZDS is one of the most important interfaces between the port sector and the political arena. Furthermore, Frank Dreeke is a member of the Presidium of the German Transport Forum (DVF) and Vice Chairman

of the German Logistics Association (BVL). We are also part of the spokesperson team of the BVL topic group “Nachhaltig gestalten” (“Shaping sustainability”) and are a member of the steering committee of the German Energy Agency’s (dena) “Nachhaltiger Schwerlastverkehr” platform has the goal to reduce emissions in heavy goods transport and, hand in hand with this, to support political energy transition targets – while at the same time providing long-term planning and investment security for the players. In the reporting year, position papers were published on the requirements for expanding the refueling and charging infrastructure for climate-friendly commercial vehicles and the introduction of a CO<sub>2</sub>-based truck toll.

We have been a member of the Association of European Vehicle Logistics (ECG) for many years, which represents the interests of finished vehicle logistics companies in Europe. In a cooperation project with the German Association of the Automotive Industry (VDA), in which vehicle manufacturers and logistics service providers – including ourselves – are also involved, a standard for calculating and reporting emissions in the automotive industry supply chain was developed and published in 2023. Beyond this, the ECG and the ECG Academy training program it organizes are of particular importance when it comes to exchanging ideas within the industry.





# Materiality Analysis

The Sustainability Report of BLG LOGISTICS has become a key component of our overall business reporting. It was prepared in accordance with the GRI standards. We make the associated GRI Content Index available online. [reporting.blg-logistics.com/en](https://reporting.blg-logistics.com/en)

To get ready for mandatory sustainability reporting under the EU Corporate Sustainability Directive, we have taken first steps to prioritize the requirements that are expected to apply in the future. One aspect of this is deciding which fields of action to set targets for. As in previous years, the CSR Index on [page 78](#) shows where the topics relevant to non-financial reporting (NFR) appear in the various sections of the present report.

## Boundaries and reporting scope

Our sustainability reporting covers the fully consolidated companies of the BLG LOGISTICS GROUP that belong exclusively to the AUTOMOBILE and CONTRACT Divisions. When identifying and selecting the material topics and prioritizing the contents for the combined non-financial statement, we focused on these two divisions as well as our central departments.

This report concentrates on the domestic BLG companies. They account for 91.7 percent of all employees and 95.7

percent of revenue of the fully consolidated locations, i.e., the most substantial part of our business activities. To present our sustainability performance as comprehensively as possible, we are constantly striving to collect and make available as much data as possible, including for our foreign companies. For a number of years now, we have included the consumption of the relevant international locations in our energy and greenhouse gas accounting, and from the last report we also began presenting differentiated human resources KPIs for the individual countries.

The third business division, CONTAINER, is represented by the EUROGATE Group, in which BLG LOGISTICS has a 50 percent shareholding. EUROGATE is the leading shipping line-independent container terminal group in Europe. EUROGATE manages the areas that are relevant for non-financial reporting - including energy, the environment, personnel and compliance - independently. We therefore present the NFR-relevant topics for the CONTAINER Division separately from [page 72](#).

## Identifying and selecting the reported aspects

The topics we focus on in this report continue to take their cues from an extensive process to determine the content of our sustainability reporting developed in 2018 (see the Sustainability Report for that year), annual topic reviews, as





well as an in-depth internal materiality review conducted within the Sustainability Board in 2021. This re-evaluated the importance of the individual aspects for our economic success as well as the impact of our business activities on the environment and society, thus ensuring that the content of our reporting remains relevant and current developments and new insights are given consideration. Apart from this, we continued in 2023 to collect and report on the key performance indicators in line with the GRI requirements.

## Weighting of our material topics

We have assigned our material topics to the three pillars ENVIRONMENTAL, SOCIAL and ECONOMIC and arranged them in the materiality matrix below according to their relevance for BLG LOGISTICS and their impacts on the environment and on society. This presents a classification of the aspects according to whether they are important, very important or of highest priority for us, with only the latter being included in our non-financial report. In addition, we have linked the topics to the respective SDGs that we want to contribute to achieving.

The materiality review described above gave rise to two changes compared to the previous year. With the coming into force of the German Supply Chain Due Diligence Act (LkSG), which as of 2023 is also mandatory for BLG LOGISTICS, it is once again reaffirmed by law that material topics for us, such as Fair Working Conditions, Occupational Health & Safety Management and Human Rights, are relevant along the entire supply chain. We have therefore decided to no longer list Sustainable Supply Chain separately in the matrix, but to treat it in future as an integrated aspect that encompasses or touches on numerous topics. We report on our progress in implementing the German Supply Chain Due Diligence Act and other explicitly supply chain-related aspects separately on ▶ page 29. In addition, we have defined a target for the aspect Resource Conservation and Waste Management (see overview of our ESG targets on ▶ pages 17 and 18). In this context, it was logical to assign this topic to the very important rather than the important aspects. There were no shifts with regard to any of the other topics.

In the following, we describe our management approach for each material topic, and also present selected key performance indicators in accordance with the GRI guidelines. In addition, we explain how we address the aspects of the NFR - and present the underlying concepts, results, evaluation methods and other relevant KPIs. You can find an overarching risk assessment from ▶ page 25.

-  Environmental
-  Social
-  Economic
-  Key topics from the employee perspective

**Materiality matrix 2023**





# Governance

## Management structure, governing bodies and selection criteria

BLG AG is a company under German law and as the personally liable general partner of BLG LOGISTICS GROUP AG & Co. KG is responsible for the management of the latter. A fundamental principle of German stock corporation law is the dual management system with strict separation of personnel between the Board of Management as the executive body and the Supervisory Board as the oversight body – with both bodies working together in a spirit of mutual trust in managing and overseeing the company. The Board of Management regularly informs the Supervisory Board in detail about all issues of strategy, planning, business development, financial performance, cash flows and compliance, as well as about entrepreneurial risks.

The Supervisory Board is composed of 16 members, half of whom are elected by the shareholders. The other half consists of members elected by the employees in accordance with the provisions of the German Codetermination Act. The members of the Supervisory Board currently include major shareholders, who account for a majority of the voting rights, as well as a number of independent members as specified in its rules of procedure. No former members of the Board of Management of BLG AG sit on the Supervisory Board. When making appointments to the Supervisory Board, the statutory provisions on gender quotas apply, which in our case must be fulfilled separately

by the shareholder members and the employee members. A profile of skills and expertise defined in 2018 aims to ensure that the Supervisory Board as a whole possesses the knowledge and experience that is considered essential in view of our business activities. This profile explicitly includes the aspect of Sustainability/ESG, keeping a particular focus on the topics of primary relevance to us: climate protection, energy management, diversity and equal opportunities, training and education, fair working conditions, human rights, compliance and customer satisfaction. The Supervisory Board currently covers all defined skills and areas of expertise. When making new appointments, it is examined in each case where knowledge should be strengthened.

The Supervisory Board appoints and dismisses the members of the Board of Management, decides on the remuneration system for the members of the Board of Management and submits it to the Annual General Meeting for approval. It also determines the total remuneration of the Board of Management. In this context, a new remuneration model for the Board of Management was introduced in 2021, which includes both financial and non-financial target indicators: CO<sub>2</sub> emissions, the trainee ratio and the 1,000-employee rate used as a basis for measuring the number of work-related accidents. While the existing remuneration-related target figures were still valid in the reporting year, they were revised in 2023 with a view to the coming years as part of the general

sustainability target program. Among other things, it was decided to tighten the climate target in line with the 1.5°C target and to replace the 1,000-employee rate with the internationally established Lost Time Injury Frequency Rate (LTIFR) in the future.

Together with the Board of Management, the Supervisory Board is also responsible for long-term succession planning for appointments to the Board of Management, with the aim to fill these positions from within the company. It is the task of the Board of Management to propose a sufficient number of suitable candidates to the Supervisory Board. This is underpinned by systematic management development that, when making appointments to the Board of Management, enables the Supervisory Board to ensure sufficient diversity with regard to professional training and experience, cultural background, internationality, gender and age in line with our diversity concept. In its current composition, the Board of Management meets these requirements. As of December 31, 2023, the proportion of women on the Board was unchanged at 40 percent, thus meeting the statutory quota.

In addition to the legally required Mediation Committee, the Supervisory Board has formed an Audit, a Human Resources and an Investment Committee. The Audit Committee is among other things responsible for reviewing the annual financial statements and



management report prepared by BLG AG and the combined financial statements and combined group management report of BLG LOGISTICS. It also prepares the Supervisory Board's decision on planning for the following financial year and deals with risk management and compliance. The Committee is made up of three shareholder representatives and three employee representatives; its incumbent chairman in the reporting year met the legal requirements for independence and expertise in the fields of financial accounting/reporting and auditing. The Human Resources Committee has equal representation and is composed of the Chair of the Supervisory Board, the Vice Chair and six other members of the Supervisory Board. Its tasks include proposing suitable candidates for the election of the Supervisory Board members, advising on the long-term succession planning for the Board of Management and deciding on the employment contracts with the Board of Management. The Investment Committee has six members - three shareholder representatives and three employee representatives of the Supervisory Board - and is chaired by the Supervisory Board Chair. The committee makes preparatory decisions and resolutions for specifically defined and urgent investment projects.

Detailed information about the governing bodies, committees and their composition can be found in the Corporate Governance Statement, which forms part of our financial reporting. The currently valid remuneration system for the Board of Management as well as the remuneration report are publicly accessible at [www.blg-logistics.com/ir](http://www.blg-logistics.com/ir).

### **Anchoring sustainability within the company and its processes**

Sustainable action is an integral part of our corporate strategy. We lay the foundation for this with company-wide policies and guidelines relating to topics concerning environmental, social and economic sustainability, as well as through greater integration of sustainability-related aspects into our training and education programs. How we incorporate this topic into our partnerships and business relationships along the supply chain is, among other things, set out in our Supplier Code of Conduct. For more information, please refer to the Sustainability Management, Training and Education, Compliance and Sustainable Supply Chain sections of this report.

Since October 2022, our CFO, Christine Hein, has been responsible for sustainability at Board of Management level. The full Board of Management and the Supervisory Board are responsible in their respective functions for overseeing the sustainability-related impacts of our business and, coupled with this, for ultimately reviewing the effectiveness of (counter)measures taken. Depending on their remit, individual Board of Management members are closely involved in the development of sustainability-related strategies, policies and targets. These are in all cases subject to approval by the full Board of Management. During the most recent materiality analysis, the Board of Management was also involved in identifying and selecting the topics to be included in the Sustainability Report, and it also approves the completed report each year prior to publication. At the invitation of the City of Bremen - our largest shareholder - the Board of Management regularly attended and continues to attend information events and workshops on sustainability-

related topics such as diversity and climate protection, and also incorporates the insights gained into corporate governance. In strategic and operational terms, all related activities are consolidated in the central Sustainability department, which reports directly to the Board of Management. In the reporting year, the topic of human rights due diligence was also more firmly anchored in the department with the appointment of a human rights officer. The latter is, in turn, supported by the Sustainability Board, on which all relevant departments are represented. For a more detailed description of how the cooperation works, please see the Sustainability Management section from ► page 14.

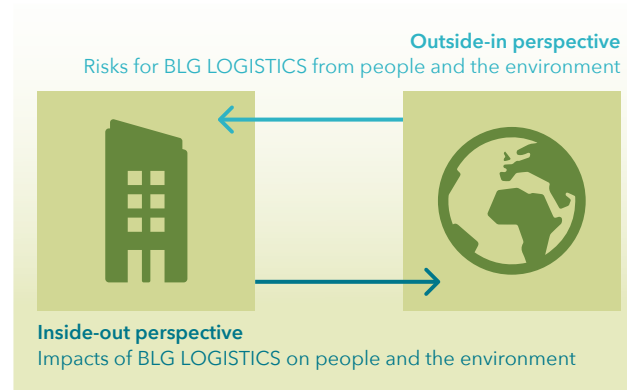
To enable us to realistically assess the impact of our business activities and the effectiveness of the measures already implemented, it is important that we make it as easy as possible for people - inside and outside the company - to inform themselves about the standards that apply, report deviations or air grievances. This can be done either through our compliance team or via a reporting process through our externally appointed ombudsperson. Please refer to the Compliance section from ► page 63 for more information. If events relevant to sustainability occur, they are first reported via the standardized information channel to the supervisor, who in the event of serious incidents is obliged to consult the compliance officer. Depending on the nature, location and scope of the incident, additional contact persons from the relevant departments are also involved to assist in assessment, resolution and prevention.

# Risk Management

Monitoring potential risks and opportunities, managing them responsibly and factoring them into decision-making processes is an indispensable basis for sound corporate governance. Our opportunity and risk policy does precisely this and enables us to strategically further develop and profitably grow BLG LOGISTICS without exposing it to undue risks. With this in mind, we develop and integrate processes and tools that allow us to identify potential risks in good time and make reliable decisions to avoid or mitigate them.

Integrating sustainability into our risk management is an ongoing process. In 2023, we expanded our risk analysis to enable us to better identify and assess environmental and social risks. In the context of the German Supply Chain Due Diligence Act (LkSG), we thus carried out risk analyses in the reporting year with a focus on human rights and environmental protection-related risks in our own operating divisions and in the supply chain. In addition to our established risk analysis focusing on the risks for BLG LOGISTICS (outside-in perspective), we conduct our LkSG analysis to assess the abstract and concrete impacts of our business activities, including our supply chain, on people and the environment (inside-out perspective).

## Perspectives of risk management



## Principles of outside-in risk management

In line with our risk strategy, the basic elements of the risk management system are rolled out centrally to ensure clear risk accountability, and are described in the Group guideline on risk management. This allows systematic and comparable risk identification and documentation, risk analysis and assessment, risk control and monitoring as well as risk-related communication and reporting. We want to create a shared awareness and positive understanding - both at management level and among the entire workforce - in managing operating risks.

## Responsibilities in connection with risk management organization



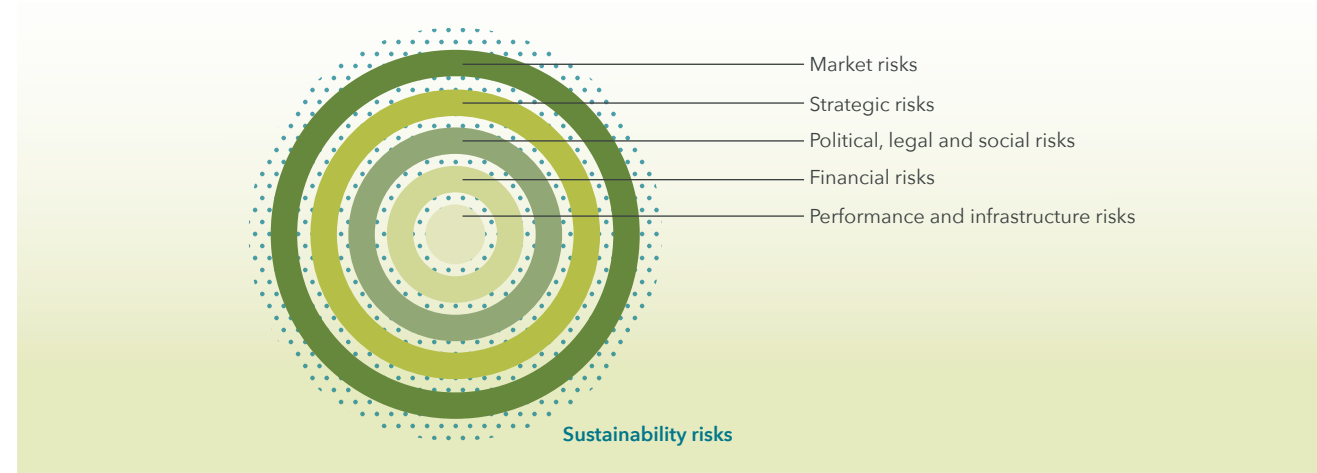
**Objectives of risk management**

- Identify risks early and prevent crises and insolvencies (support continuity of the organization)
- Improve planning reliability and risk costs through optimal risk management
- Sound preparation of operating decisions with risk analyses to improve the company's success
- Achieve sustainability-related corporate goals and monitor sustainability-related risks taking into account the principle of dual materiality

Overriding objective is to ensure the company's risk-bearing capacity. The aim is to identify and assess risks, manage and monitor them efficiently through appropriate and effective measures, and ensure ongoing risk reporting as a basis for sound decision-making. In this way, risk management is intended to support the corporate strategy and contribute to achieving our corporate objectives.

Identified risks are addressed and followed up through local and central measures. As an integral part of corporate governance, risks and the corresponding measures are regularly presented and discussed in the respective management groups. Again in the reporting year, the resulting risk report was submitted to the Board of Management on a quarterly basis and to the Supervisory

**Influence of ESG topics on corporate risks**



Board at each ordinary meeting in order to inform both bodies about the overall risk environment.

**Risk categories and risk outlook for BLG LOGISTICS**

With regard to potential outside-in risks, Group risk management focuses in particular on those that would have a noticeable effect on the company's financial position, financial performance and cash flows if they were to occur. We assign these risks to five defined risk categories (see graphic). Risks from the areas of Environment, Social and Governance (ESG, outside-in perspective) impact on all five categories. When considering the broad field of ESG, we see both risks and opportunities - the related topics can influence the entire risk situation, from financing to human resources (HR) policy and procurement.

**Environmental risks**

As a seaport and logistics service provider, we are very exposed to environmental and climate risks. Dealing with the effects of climate change on our operations is therefore a major challenge for us. Extreme weather events such as heat, flooding or storms can lead to disruptions in the supply chain, which can result in production downtimes and financial losses. The increasing frequency and intensity of such acute weather events combined with the longer-term chronic changes in the mean values and fluctuation ranges of various climate variables (e.g., temperature, precipitation, sea level) in particular pose an acute threat to our assets and business processes. To enable better assessment of these risks, various natural hazard scenarios for our property, plant and equipment and the potential operating downtimes associated with them were analyzed.



However, individual theoretical risks such as a storm surge cannot be fully insured. We address such risks as far as possible as part of our business continuity management (BCM). We also need to develop climate change adaptation strategies at potentially affected locations.

In response to the projected escalation of climate risks, BLG LOGISTICS actively promotes climate change action, and for example successfully implemented a number of projects in the reporting year designed to increase energy efficiency. In addition, optimizing the route planning of our transport operations helped to reduce the company's impact on the environment and cut costs at the same time. A detailed description of the implemented measures is provided in the Climate Protection and Energy Management sections from ► page 32.

Our far-reaching efforts not only serve to mitigate environmental and climate risks, but also to strengthen our long-term competitiveness. By integrating environmental aspects into our risk management and responding proactively to these challenges, we are perceived as a reliable partner for our customers in this area.

### Social risks

Our employees are the most important success factor for our company. Their wellbeing and development are therefore a top priority for us. Working conditions play a vital role when it comes to avoiding the risk of a culture with low motivation and high staff turnover, together with the ensuing reputational damage. Furthermore, demographic change and increasing automation risk creating a shortage of suitable employees in many areas. Not being able to fill positions when needed or with the right

qualifications leads to a decline in productivity. At the same time, this puts additional strain on the workforce, possibly resulting in increased absenteeism and accidents, along with greater fluctuation. We are already noticing an increasing organizational overload on the back of various major projects, often with no redundancies available in critical functions. There is a risk that bottlenecks cannot be absorbed by external consultants, potentially leading to errors and putting excessive strain on employees.

To counter these risks, we are taking steps to enhance our employer attractiveness. This involves retaining employees through targeted employee development and remuneration in line with the market and at the same time increasing the effectiveness of our recruitment processes. In addition, we are continuing to expand our workforce in order to reduce the workload of individual employees. For more information about BLG LOGISTICS' human resources strategy, please refer to the SOCIAL section of this report from ► page 46.

With a wide range of measures to improve working conditions, guarantee fair pay and promote the professional development of our employees, we are positioning ourselves as a trusted and popular employer in the region. Our human resources strategy actively contributes to retaining talent and winning the contest for new recruits.

### Governance risks

Possible changes in interest rates in particular represent a material economic risk. When the European Central Bank raises its base rate to combat inflation this also increases banks' refinancing costs, which they pass on to their

customers. Banks have also increased their requirements in respect of creditworthiness and sustainability partly as a result of the European Green Deal, which could put further pressure on the interest margin. When designing our sustainability strategy, we actively incorporate the requirements of banks and insurance institutions. Thus, in the reporting year quantitative sustainability targets were communicated in all key areas of activity.

Information security remains a key ESG-related risk with respect to data breaches and system vulnerabilities. Protecting personal and company data is of crucial importance in order to minimize potential negative consequences in particular for livelihoods, mental health and safety. It is therefore essential to design and implement measures to guarantee information security, damage limitation, cyber insurance and continuous adaptation to new threats.

### Further development: our inside-out risk management

We are aware that our commitment to sustainability is a process that requires a continuous effort. We will continue to drive change in risk management through interdisciplinary collaboration, innovation and joint action in order to increase transparency and create sustainable added value for all stakeholders. In so doing, we are also complying with the disclosure obligations under the German Supply Chain Due Diligence Act.

In line with the due diligence obligations set out there, we also enhanced our existing risk management methodology, for example by performing risk analyses in order to determine the human rights and environmental risks in our



own areas of activity as well as those of our direct suppliers. In addition to internal evaluations and operational experience, the analyses drew on various indices relating to industry and country risks as well as on external expert opinions. A detailed description of the underlying process, the defined roles and accountabilities and the results of the human rights-related risk analyses can be found in our mandatory report under the German Supply Chain Due Diligence Act for the 2023 period.

Based on the experience gained in the reporting year, we will continue to develop our inside-out risk management in 2024. For more information on supply chain management, see the Sustainable Supply Chain section from [page 29](#).





# Sustainable Supply Chain

We provide highly complex and tailor-made logistics solutions for our customers along global supply chains. For more information about the nature and scope of our services, please refer to the Company Profile section. We also coordinate the entire supply chain and establish integrated logistics chains, which we manage across the entire value creation process – especially in the areas of project and process management, technology, IT and quality. In this, we mainly work with products and components provided by our customers. We want to honor our responsibility and strive to ensure that our direct suppliers comply with human rights and environmental due diligence obligations. Our own commitment in this regard was underscored by the entry into force of the German Supply Chain Due Diligence Act (LkSG) in 2023.

The centrally managed purchasing processes at BLG encompass more than 100 product groups and are handled by our central Purchasing department. Our main procurement markets are located in Germany and neighboring EU countries, which are also subject to binding sustainability standards.

## **Clear standards, clearly communicated**

We communicate very transparently to our customers how we meet our ethical, social and environmental responsibilities. We expect no less of our suppliers and take the relevant aspects into account when selecting suppliers and awarding contracts. For example, when commissioning subcontractors for transport services, we pay particular attention to industry-specific human rights risks such as the appropriateness of remuneration, the right to freedom of association, and respect for general occupational health and safety rights. Only in this way can we implement sustainability along the supply chain systematically and in compliance with the law. Our requirements with regard to environmental and social responsibility and ethical best practices are formulated in our Supplier Code of Conduct, which we have revised to fully reflect the legal requirements of the LkSG, which came into force on January 1, 2023. It goes without saying that the statutory provisions relating to the treatment of employees, occupational health and safety and environmental protection must be complied with at all times. We also expect appropriate measures to be taken to avoid or mitigate negative impacts on people and the environment. Our suppliers, in turn, are responsible for ensuring that their subcontractors are informed about and comply with the requirements.

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We ensure compliance with supply chain-related due diligence obligations primarily through the closely coordinated interaction of the Purchasing, Legal, Insurance & GRC, Sustainability, Integrated Management Systems and Human Resources departments. Responsibility for overarching coordination and oversight is vested in our human rights officer appointed in the reporting year, who is also head of the central Sustainability department. We are currently in the process of further anchoring the organizational processes established in 2023 in the various companies. An overview of the associated roles and procedures for compliance with the human rights and environmental due diligence obligations are set out in our LkSG manual.

## **Systematic management: risk analysis and supplier evaluation**

We identify any human rights or environmental risks along our supply and subcontracting chains using systematic risk analyses as the basis for defining and prioritizing prevention and remedial measures. Responsibility for performing the risk analysis for direct suppliers lies with the Purchasing department.

Risk classification is a two-stage process, consisting of an abstract and a concrete supplier evaluation. The former – abstract risk analysis – more specifically includes the



assessment of industry- and country-specific risks based on core supplier data, with the aim of identifying high- and medium-risk suppliers. These are then prioritized and examined in more detail in the subsequent concrete risk analysis, for example by verifying external certifications, requesting a self-declaration or carrying out audits. Further information about risk analysis at BLG LOGISTICS is provided in the Risk Management section from [page 25](#).

In 2023, the risk analysis was initially carried out in the form described above for all centrally managed suppliers. The result of the abstract risk analysis was that less than one percent of our suppliers have a medium level of risk. No high-risk suppliers were identified. The medium-risk suppliers were examined in more detail and the risks identified were further deprioritized based on existing certifications or the type and scope of their business activities. In 2024, we intend to further develop the risk analysis for direct suppliers. To this end, a software-supported risk tool was tendered out in the reporting year, which is to be rolled out successively across the Group.

Detailed information on our supply chain management in general and the risk analysis in particular can be found in our reporting relating to the German Supply Chain Due Diligence Act.

Independent of the processes described above, we have additionally been evaluating suppliers and service providers in cooperation with the responsible locations according to a defined scheme since 2016. Using a comprehensive questionnaire, we assess not only traditional purchasing criteria relating to quality, price and delivery time, but

also such criteria as environmental protection. The selection criteria also increasingly focus on energy efficiency, which is a key aspect for example when procuring lighting systems or forklift trucks. In addition, face-to-face meetings and on-site visits are an integral part of our dialog with main and new suppliers.

The process is completed without further action if there are no complaints, which applied to all evaluations in the reporting year. If, on the other hand, we identify a need for change or optimization, we work with the supplier to define steps for in-house or active development. We terminate relationships with suppliers that are unable to meet our requirements even in the medium term.