

# SHAPING TRANS FORM ATION

**CREATING TANGIBLE SOLUTIONS**



Sustainability Report 2022 of H&R GmbH & Co. KGaA

# H&R IN FIGURES 2022



↗ SALES  
€1,576.0 MILLION



↘ EBITDA  
€124.9 MILLION



↗ EMPLOYEES  
1,631



## THE H&R GROUP IN FIGURES

IN € MILLION	2022	2021	Change (absolute)
<b>Sales revenue</b>	<b>1,576.0</b>	<b>1,188.4</b>	<b>387.6</b>
of which Chemical and Pharmaceutical Raw Materials Refining	1,020.6	745.3	275.3
of which Chemical and Pharmaceutical Raw Materials Sales	526.7	412.2	114.5
of which Plastics	49.0	43.8	5.2
Reconciliation	-20.3	-12.8	-7.5
<b>Operating income (EBITDA)</b>	<b>124.9</b>	<b>132.5</b>	<b>-7.6</b>
of which Chemical and Pharmaceutical Raw Materials Refining	92.7	103.4	-10.7
of which Chemical and Pharmaceutical Raw Materials Sales	33.4	29.0	4.4
of which Plastics	5.0	3.9	1.1
Reconciliation	-6.2	-3.8	-2.4
<b>EBIT</b>	<b>69.6</b>	<b>81.6</b>	<b>-12.0</b>
<b>Earnings before income tax</b>	<b>62.0</b>	<b>73.4</b>	<b>-11.4</b>
<b>Consolidated net income</b>	<b>45.4</b>	<b>52.5</b>	<b>-7.1</b>
<b>Consolidated income attributable to shareholders</b>	<b>42.7</b>	<b>50.2</b>	<b>-7.5</b>
<b>Consolidated income per share (undiluted, in €)</b>	<b>1.15</b>	<b>1.35</b>	<b>-0.20</b>
<b>Cash flow from operating activities</b>	<b>38.0</b>	<b>37.4</b>	<b>0.6</b>
<b>Equity ratio (in %)</b>	<b>49.0</b>	<b>46.7</b>	<b>2.3</b>
<b>Employees as of December (absolute)</b>	<b>1,631</b>	<b>1,585</b>	<b>46</b>

2022

## SUSTAINABILITY IN THE INTERPLAY OF GLOBAL POLITICS







**There was hardly a geopolitical event in recent decades that had such a stonewalling effect on the efforts of the global community toward sustainability as the invasion of Ukraine by Russian troops.**

The dependence of a large proportion of Western European economies on Russian, primarily fossil-based, raw materials as well as the need for cheap natural gas and energy were the dark side of what seemed to be a strong and resilient economic development.

Since February 2022, the perspective on the resilience factor has changed. After the invasion of Ukraine by Russia, contrary to international law, the European Union has drastically reduced its economic dealings with Russia – and thus also the trade in the fossil energy sources of oil and gas. In response to the supply shortfall that resulted from this, the European Commission developed “REPowerEU” as a suggestion for how to reduce the dependence of the EU on Russian gas while also ensuring a stable supply.

Many will no doubt recall the discussions last year about supply security. There was strong debate about prioritizing industry over private households for gas supplies and a call for quick investment in domestic gas infrastructure while also easing the burden on the people. In crisis mode, the first order was to ensure stable supply.

At the same time, economic experts called for moving forward more quickly and consistently with plans that had already been set out by policymakers to move away from fossil fuels. The EU will undoubtedly pursue this path. The measures for energy efficiency that are laid out in the REPowerEU package such as lowering room temperatures, installing heat pumps, and accelerating the expansion of wind and solar power are intended to quickly and efficiently reduce the need for natural gas from Russia. For the European Union, the crisis is thus also an opportunity to implement the Green Deal and to accelerate the shift away from fossil energy sources connected with this.

The path toward a climate-friendly world is not to be stopped and requires all players in industry and society to do their part. H&R is stepping up to do this. Our motto “Oil is far too valuable to burn!” is our guiding principle – one in which we consider all feedstocks and the energy required to process these.

# EYES ON THE GOAL – THE ROADMAP UNTIL 2030 AND 2035

By 2030, 70% of the core products we manufacture should be based on renewable raw materials. By 2035, we want to achieve carbon-neutral production. As a company in the chemical-pharmaceutical industry, we are taking our responsibility seriously. The change in the two production sites that are important for the entire Group toward more renewable sources of raw materials means a strategic development of our operating model revolving around the production of specialty products.

The developments of the past year have not changed our target. But it's also clear that the conditions have become tougher. Clean feedstocks such as hydrogen and green CO<sub>2</sub> will be as scarce and in demand as clean energy from renewable sources in the coming years. At the same time, we will all be called on to use the available – and limited – resources as efficiently and conservatively as possible.

The scientific term sustainability is increasingly used in connection with the economic control tool ESG. The abbreviation ESG stands for Environment, Social and Governance – three areas of responsibility for a company that are to be built and expanded within the company and are meant to help assess the economic potential of a company under consideration of the ethical and political goals of society.

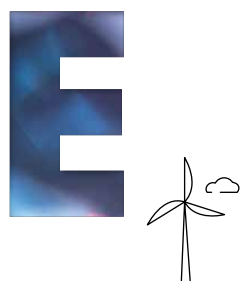
**What does that mean for a company like H&R, which has a very traditional industrial background and still also wants to manage the transformation?**

Here are the answers:

## ESG – More Than Electric Cars and Saving Energy

Most medium-sized enterprises have the topic of ESG right up at the top of their agendas. A transparent picture of the company's sustainability performance (ESG reporting) will be an important factor for investors and financing partners in the future, with a key influence on their decisions.

Environmental, Social and Governance means more than just switching out company cars to electric mobility (Environmental). ESG also means upholding human rights in the company and in the supply chain, creating just working conditions and assessing and improving the social impacts of the product portfolio (Social). It means having sustainability as a fixed part of all levels of management and in the organization, and above all Group-wide (Governance).



### ENVIRONMENTAL

- RESOURCE CONSERVATION
- ENERGY CONSUMPTION
- POLLUTION
- CLIMATE CHANGE
- WASTE PRODUCTION
- BIODIVERSITY

### SOCIAL

- HUMAN RIGHTS
- CHILD AND FORCED LABOR
- COMMITMENT TO THE COMMUNITY
- HEALTH AND SAFETY
- STAKEHOLDER RELATIONS
- EMPLOYEE RELATIONS

### GOVERNANCE

- QUALITY OF MANAGEMENT
- INDEPENDENCE OF THE EXECUTIVE BOARD
- CONFLICTS OF INTEREST
- REMUNERATION MANAGEMENT
- TRANSPARENCY AND DISCLOSURE
- SHAREHOLDER RIGHTS

## Reality Check for Existing Structures

For H&R, it's clear that a transformation of the existing business model is inevitable. At the same time, the vision for the future of the company and the development of a functioning sustainability strategy are only the first and possibly the easiest steps. We have already taken this first important step by defining our targets until 2030 and 2035.

As for implementation, a look at the internal structures of our own organization is first needed. This needs to be revised earnestly for the H&R Group to be able to develop a corporate strategy that adequately takes into account sustainability matters such as the sustainable supply of feedstocks and energy, a fair supply chain or an equitable HR policy. The next step would be to lay out a roadmap that superimposes the corporate objectives and requirements relating to ESG in the coming years.

### 1 – Defining and Embodying Values – Strengthening the Corporate Culture

The transformation will be achievable and sustainability will be internalized only if ESG targets are formulated and proven by measurable key performance indicators (KPI) that are regularly validated. This is how a credible corporate culture with a clear focus grows and becomes established.

The past year at H&R in terms of sustainability reporting was marked by an expansion of a Group-wide catalog of KPIs.

### 2 – Conscientiously Involving Employees

The path that lies ahead is not an easy one. In order to take all facets of the company into account and drive forward the transformation processes, it is important to involve the employees. For this, they need to be actively involved in the processes and the reporting structures that are necessary to determine the KPIs. The H&R Group is actively creating these structures by bundling the essential key positions, such as compliance, communications, energy and emissions management, and data queries in sustainability and transformation management, bringing these to the organization through regular dialogue. The KPI catalog also requires a Group-wide rollout so that all data can be ascertained early on and comprehensively.

### 3 – Organizing Personnel, Checking Available Resources and Remaining Able to Act

Making the Group more sustainable also means assessing our human resources, reviewing these and expanding them where needed. A few years ago, H&R was already in a position to say that many areas were being actively pursued in terms of sustainability. The structure required for targeted ESG reporting had, however, long still been missing. With the introduction of the Transformation Core Group, comprising the Group management, the Transformation Director and members of product management, in 2021/2022, an important structure for steering the various streams of information and synchronizing targets, expectations and KPIs was created.

### 4 – Expanding the Competitiveness of the Business Model

H&R is bound to the statutory requirements for sustainability. They have long been mandatory. But limiting oneself to merely fulfilling the minimum requirements means missing considerable opportunities.

Consistently implemented, sustainability offers a breadth of opportunities that could lead to considerably more profitable growth and an improved appraisal of the company. A range of offerings that is expanded to include synthetic and renewable chemical-pharmaceutical raw materials provides a competitive advantage. Attractive working conditions and responsible corporate management create a stronger sense of identification with the company among employees. Visible ESG targets and measures implemented to achieve these have a positive effect on the perception of the company and strengthen the company's rating.

### 5 – Doing Good in the Operating Model and Talking About It

Sustainability affects all stages of value creation. And H&R doesn't even have to redefine the pillars of its ESG strategy. "Oil is far too valuable to burn!" has always referred to measures such as the continual optimization of material usage and the sparing use of resources. This also comprises the improved resilience of the supply chains and a strong sense of identification with the company among employees.

In the past, we considered comprehensive sustainable activity to be part of or a by-product of the purely economic core objective. In the near future, though, it will no longer be enough to do what's right. We will need to "do what's right, right" – while adhering to regulatory stipulations and frameworks. We want to act genuinely and responsibly, and we want to treat our resources accordingly. Only then will we be able to assert ourselves on the market in the long term and add more successful decades to the more than 100 years of company history.

# NON-FINANCIAL REPORT 2022



The following section contains our non-financial report in accordance with Section 315b–c of the German Commercial Code (HGB) in conjunction with Section 289b–e HGB.

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# CORPORATE GOVERNANCE

The H&R Group is well aware of its role in society and the responsibility it bears as a result. The Group operates in an ever-growing regulatory framework yet always takes advantage of opportunities to evolve, to drive forward a balance between business, the environment and society.

## Reporting Profile and Environment of the H&R Group

### Reporting Profile and Environment

This non-financial report (NFR) of the H&R Group contains disclosures in accordance with Section 315b–c of the German Commercial Code (HGB) in conjunction with 289b–e HGB and Article 8 of the EU Taxonomy for sustainable activities (2020/852) on material, non-financial aspects of our business activities in areas involving environmental, employee and social concerns, respect for human rights and the fight against corruption. The non-financial report was audited on a voluntary basis with limited assurance in accordance with ISAE 3000 once again in 2022.

### Legal Requirements and Framework

No (international) framework has been applied in preparing the NFR, as the H&R Group's sustainability reporting process is still under development.

Nevertheless, we have geared our 2022 reporting to certain frameworks: The H&R Group is committed to the UNGC and thus the adherence to the Sustainable Development Goals (SDG) as well as the ten principles on human rights, working conditions, environmental protection and anti-corruption. The Group has set itself the goal of declaring its official participation as quickly as possible for the next entry period (March to June 2023).

Taking part in other initiatives – such as the Carbon Disclosure Project or the Renewable Carbon Initiative – as well as a rating through EcoVadis provide important guidelines for our activities and recording corresponding figures. For the 2022 financial year, we have expanded the key figures we record to additional Group companies, bringing us closer to our goal of having fully global key figures on all the material topics. Overall, the reporting provides a representative overview of the Group. The inclusion of the two German production sites, for example, ensures that the main drivers of our key performance indicators, which are also relevant to our sustainability strategy, are taken into account comprehensively.

## H&R KGaA's Business Model and Strategy

For a detailed presentation of the mission, the markets and corporate structure, please refer to the 2022 consolidated management report.

With the help of modern production sites and process technology, we use hydrocarbons to produce more than 800 chemical-pharmaceutical specialty products such as label-free process oils, white oils and paraffins. Precision plastic parts complete our portfolio. Our products are components in the processes and products of numerous industries, for example, in the automotive industry. Today, we manufacture and sell our products worldwide through an organically developed network. We rely on our own facilities and sales/distribution units, as well as on production partnerships.

In total, the Group consists of 48 subsidiaries. The ChemPharm Refining and ChemPharm Sales segments are subdivided into production sites (Germany), processing sites (UK, Netherlands, Japan, Singapore, Malaysia, China, Thailand, Indonesia, South Africa) and sales sites (India, Vietnam, Australia, United States, Brazil). In the Plastics segment, we operate production sites in Germany, the Czech Republic and China.

As a Group with global operations, we not only compete with other market participants in general, but we also face a variety of global economic factors. These include various economic-political systems as well as cultural particularities and regional challenges that our activities and our products are met with and which the H&R Group must address in its strategic orientation. The German production sites form the core of these efforts. They are, on the one hand, the largest units in the H&R Group. The overwhelming majority of the core products sold in Germany through the ChemPharm Refining segment and globally through the ChemPharm Sales segment are produced at these two locations. They are therefore especially important as suppliers for providing chemical-pharmaceutical raw materials for our Group-wide sales and processing networks. At the same time, they are also the primary cause of the Group's energy needs and its emissions. The two production sites in Hamburg and Salzbergen are therefore at the forefront of the Group's sustainability strategy.

The following table details the figures for which a German approach was applied and where a global Group-wide approach was applied:

	Germany	Group
<b>Material Topics for H&amp;R</b>		
Energy Consumption and Carbon Emissions	■	■
Waste	■	–
Water and Wastewater	■	–
Human Resources Management, Employee Recruitment and Retention	■	■
Training and Education	■	–
Occupational Health and Safety	■	■ <sup>1</sup>
Clearance and Environmental Compatibility	■	■
Social Commitment	■	–
Respect for Human Rights	■	■
Supplier Management	■	■

<sup>1</sup> Two sites in Malaysia and the USA are currently still under construction and have not been included.

- We have set clear goals for the Group in terms of sustainability.
- By 2030, 70% of the core products we manufacture should be based on renewable raw materials. If we use the current capacities of the production sites as a basis (excl. base oil), this corresponds to roughly 210,000 tons.
- We also aim for our production to be carbon neutral by 2035.

We have not yet defined quantitative partial objectives that determine by when which resource is to be used to achieve how large a proportion of the Group's total sales or production volume.

In order to accomplish this goal, we are pursuing two approaches:

On the one hand, we aim to decarbonize our operational processes by reducing the emissions from our production processes through the use of technical measures and, where possible, by covering our energy needs with energy from renewable sources. The biggest contribution can be made with an alternative source for energy and steam, such as by replacing fuels with a high emissions factor with those with a lower factor. These could be sustainably generated electricity and steam, such as from wind energy, photovoltaics or heat pumps. We want to reduce other emissions by using less energy, conserving energy through individual administrative measures as well as a more efficient production process.

Until there is enough renewable energy available for all major industrial consumers, compensation via CO<sub>2</sub> certificates will continue to be important.

At the same time, we want to transform our feedstock base through defossilization, meaning the use of renewable, recycled or synthetic raw materials. This approach in our three-pillar strategy for raw materials supply describes our development in the increased use of sustainable components such as synthetic raw materials. We intend to produce the latter by using long-chain hydrocarbon compounds methanized from hydrogen and CO<sub>2</sub> in our refinery processes. We produce the hydrogen by means of water electrolysis with the aid of wind power/electricity, which is certified as green electricity. The CO<sub>2</sub> could originate from the flue gas from thermal waste recovery or as a by-product in bio-ethanol plants. It therefore does not end up in the atmosphere.

For non-fossil raw material sources, we also strive to use renewable raw materials. These are not only bio-based raw materials such as renewable biomass from plants, wood or algae, but also natural resources that can be "regenerated" in a short space of time. For us, these include energy from solar, wind, hydro and geothermal plants and the raw materials that can be gained from this, such as synthetic gases, and finally also recycled raw materials sources such as plastic waste.

## Motivation and Monitoring

The Transformation Core Group committee is responsible for setting and monitoring targets at Group level. In addition to the Group's Executive Board, this committee also includes the higher-level management of the German production sites and senior employees from global product management. The group is led by a senior employee who coordinates our sustainability efforts as the Transformation Director. This ensures that in formulating our targets we take into account both market and Group strategic concerns in addition to operational factors.

The driving force behind our transformation efforts is the legal framework as well as the expectations of our customers. Our customers have their own goals for climate change mitigation and consider the entire value chain to be obligated to contribute to achieving these. The H&R Group has to monitor its activities accordingly and document results in this regard.

We use the following as a basis:

- The carbon footprint of our products (PCF) and of the Group (CCF)
- The Carbon Disclosure Project (CDP), in which we disclose our emissions
- The Science-Based Target initiative (SBTi), which defines important frameworks for calculating and reducing emissions
- ISCC / ISCC+ certification for renewable raw materials, which we are currently preparing for the power-to-liquid project NextGate
- The EcoVadis rating, which we want to improve from a bronze rating to silver by 2024 and gold by 2026

All these points share the fact that they require detailed recording and evaluation of relevant key figures. The Transformation Core Group defined a list of these ESG (Environment/Social/Governance) key figures in October 2022.

## EU Taxonomy Regulation

Regulation (EU) 2020/852 of the European Parliament and the Council from June 2020 on the creation of a framework to simplify sustainable investments and amend Regulation (EU) 2019/2088, contains criteria for sustainable investments and also regulates their reporting. It contains criteria to determine whether a business activity can be classified as ecologically sustainable in order to assess the degree of ecological sustainability of an investment. The Delegated Regulation of the Commission of March 9, 2022, amending Delegated Regulation (EU) 2021/2139 extends the already existing catalog of criteria and supplements the disclosure requirements for economic activities in parts in the energy sector.

This information only relates to the environmental goals of climate change mitigation and climate change adaptation, as the EU Commission again did not publish any technical evaluation criteria for the other four climate goals in the 2022 reporting year.

### Taxonomy Eligibility Impact Analysis

The EU Taxonomy regulation requires financial market participants and groups who are obligated to publish non-financial reports to disclose how and to what extent the activities of the company are connected to ecologically sustainable business activity.

Feedback and expertise from various Group departments (Sustainability Management; Energy Management; Group Accounting; IPT – Innovative Process Technologies) and officials (Chief Sustainability Officer) were included to determine Taxonomy eligibility and reporting for 2022. In the first step, the Group – with reference to the activity descriptions in the annexes to 1 and 2 of Delegated Regulation (EU) 2021/2139 of June 4, 2021, and including the amending regulation of March 9, 2022, which supplement the already existing catalog of criteria – identified the Taxonomy-eligible economic activities. The NACE codes for classifying economic activities in the European Community were used as indicative support in this context.

In parallel, the three key performance indicators (KPIs) of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) were analyzed in relation to Taxonomy-eligible economic activities and non-Taxonomy-eligible economic activities, and the data was collected with the relevant reference figures (denominator of the KPI) on the basis of our systems for account management, financial controlling and Group accounting.

### Identified Taxonomy-eligible Activities

The following three economic activities were identified as Taxonomy-eligible:

The hydrogen electrolysis system at the site in Hamburg, where hydrogen has been produced since November 2017 and is used in further processing steps as a basis for the manufacture of technical and medical white oils, falls under economic activity 3.10 ("Manufacture of hydrogen").

The same applies to the plant for producing e-fuels and synthetic waxes. In a power-to-liquid process, green hydrogen and highly pure biogenic carbon dioxide will be used to produce synthesized fuels and heating fuels as well as the base materials for chemical-pharmaceutical specialty products. Here, the hydrogen is at least partially used to manufacture synthetic fuels and thus its production also falls under 3.10 ("Manufacture of hydrogen") due to the fulfillment of the second part of the activity description "Manufacture of hydrogen-based synthetic fuels." The decision was made to attribute both economic activities to climate change mitigation, as the contribution to climate change adaptation is of lesser importance and the EU Taxonomy Regulation does not allow double counting.

The third economic activity identified was the operation of the company's own industrial power plant at the Salzbergen site. It is operated with natural gas as fuel and supplies the production site with both steam and waste heat as energy process components. Due to the activities added under Delegated Regulation (EU) 2021/2139, the operation of the industrial power plant falls under 4.30 ("High-efficiency co-generation of heat/cool and power from fossil gaseous fuels").

No (Taxonomy-eligible) sales were incurred in the 2022 financial year. This arises from the fact that hydrogen electrolysis only takes place in order to supply hydrogen as a base material for other production processes within the company. It is not sold to or otherwise used by third parties. The power-to-liquid (PtL) plant went into operation on a trial basis in the third quarter of 2022. Until the end of the year, only optimizations were carried out that will enable operations and the production of corresponding e-fuels and raw waxes at the specification level. An economic use did not take place before the end of the year. Accordingly, no (Taxonomy-eligible) sales were incurred in the 2022 financial year. The reasoning for hydrogen electrolysis applies equally to the industrial power plant in Salzbergen, since here, too, recycling takes place exclusively for and in the plant's own production processes.

Investments at Group level (denominator) amounted to €79.2 million in the 2022 financial year (2021: €69.0 million) and include property, plant and equipment in accordance with IAS 16, intangible assets in accordance with IAS 38 and leases in accordance with IAS 16 pursuant to Section 1.1.2.1, lit. a), b) and f) of the Delegated Regulation (EU) 2021/2178 of the European Commission of July 6, 2021. No investments were made in accordance with c) and d) of IAS 40 or e) of IAS 41. The reported figure for total capital expenditure comprises



€74.0 million for investments in property, plant and equipment, including leases (€8.5 million), and €5.2 million for investments in intangible assets. It thus corresponds to the presentation in the 2022 consolidated financial statements of H&R GmbH & Co. KGaA.

The hydrogen electrolysis plant in Hamburg and the industrial power plant in Salzbergen were built before 2022 and have not been modified or expanded since the time of their commissioning, or at least since 2022. There were therefore no investment expenses in the 2022 financial year.

The (Taxonomy-eligible) investment costs (numerator) spent on property, plant and equipment related to the power-to-liquid (PtL) plant in 2022 amounted to nearly €0.25 million (2021: €1.8 million). In relation to the value of total investments, the share of Taxonomy-eligible investments for the PtL plant is 0.3% (CapEx; previous year: 2.6%).

The operating costs at Group level (denominator) in accordance with Section 1.1.3.1 of Delegated Regulation (EU) 2021/2178 of the European Commission dated July 6, 2021, totaled €22.3 million (previous year: €19.6 million). In accordance with Section 1.1.3.1, they include the values for a) third-party repair and maintenance, b) R&D costs, and c) short-term leases. The total operating costs reported comprise €18.6 million (previous year: €16.3 million) for a), €2.0 million (previous year: €2.5 million) for b) and €1.7 million (previous year: €0.8 million) for c). These values also correspond to the presentation in the consolidated financial statements of H&R GmbH & Co. KGaA for the 2022 financial year.

Operating costs of €0.08 million were incurred for the power-to-liquid plant in 2022 (Taxonomy-eligible). The economic start-up within the meaning of a sales and earnings-oriented business activity is currently still pending.

The (Taxonomy-eligible) operating costs (numerator) for the hydrogen electrolysis system amounted to €0.35 million in the past year (previous year: €0.27 million). In terms of the value of total operating costs, the share of Taxonomy-eligible operating costs is 1.6% (previous year 1.4% (OpEx)).

The (Taxonomy-eligible) operating costs for the industrial powerplant came to €1.5 million in the past year. In terms of the value of total operating costs, the proportion of Taxonomy-eligible operating costs is 6.9% (OpEx for 2021: n/a).

### Conformity Analysis

In addition to the impact analysis, reporting companies must also determine the Taxonomy alignment of the identified Taxonomy-eligible economic activities for the first time for 2022. This involves checking whether an economic activity makes a significant contribution to at least one of the six climate goals (significant contribution criterion), does not significantly harm any of the other environmental goals (DNSH criterion) and meets minimum social standards (minimum safeguards criterion).

With regard to these minimum safeguards in the core areas of human and employee rights, bribery/corruption, taxation and competition, the H&R Group does not currently meet the requirements for the introduction of relevant procedures (due diligence) and compliance with relevant requirements (positive assessment).

To date, the Group has defined internal standards and implemented them in its management and control systems. At present, these internal measures do not yet meet the systematic requirements of the EU Taxonomy Regulation.

Since Taxonomy alignment is not possible for the aforementioned reasons, no discussion of the fulfillment of the technical evaluation criteria has taken place.

## Disclosure of Taxonomy KPIs

## Proportion of turnover from goods or services in 2022 related to Taxonomy-aligned economic activities

Economic activities (1)	Code(s)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A.</b>																				
<b>TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2.)		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (A.1 + A.2)</b>		<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B.</b>																				
<b>NON-TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
Turnover of non-Taxonomy-eligible activities (B)		1,576	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (A+B)</b>		<b>1,576</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Proportion of CapEx from goods or services in 2022 related to Taxonomy-aligned economic activities

DNSH criteria (do no significant harm)																					
Significant contribution criteria																					
Category (transitional activity)	(21)	T																			
Category (enabling activity)	(20)	E																			
Proportion of Taxonomy-aligned CapEx, Year N-1	(19)	%																			
Proportion of Taxonomy-aligned CapEx, Year N	(18)	%																			
Minimum safeguards	(17)	Y/N																			
Biodiversity and ecosystems	(16)	Y/N																			
Pollution	(15)	Y/N																			
Circular economy	(14)	Y/N																			
Water and marine resources	(13)	Y/N																			
Climate change adaptation	(12)	Y/N																			
Climate change mitigation	(11)	Y/N																			
Biodiversity and ecosystems	(10)	%																			
Pollution	(9)	%																			
Circular economy	(8)	%																			
Water and marine resources	(7)	%																			
Climate change adaptation	(6)	%																			
Climate change mitigation	(5)	%																			
Proportion of CapEx	(4)	%																			
Absolute CapEx	(3)	€ million																			
Code(s)	(2)																				
Economic activities (1)																					
A.																					
TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities)																					
Production of hydrogen-based synthetic fuels	3.10	0.25	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		0.25	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total (A.1 + A.2)		0.25	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B.																					
NON-TAXONOMY-ELIGIBLE ACTIVITIES																					
CapEx of non-Taxonomy-eligible activities (B)		78.9	99.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total (A+B)		79.2	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	



## Proportion of OpEx from goods or services in 2022 related to Taxonomy-aligned economic activities

Economic activities (1)	Codes)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-aligned OpEx, Year N	Proportion of Taxonomy-aligned OpEx, Year N-1	Category (enabling activity)	Category (transitional activity)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities)																				
Production of hydrogen-based synthetic fuels	3.10	0.35	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production of hydrogen	3.10	0.08	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30	1.53	6.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OpEx of Taxonomy-eligible but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		1.96	8.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (A.1 + A.2)</b>		<b>1.96</b>	<b>8.8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. NON-TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
OpEx of non-Taxonomy-eligible activities (B)		20.34	91.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total (A+B)</b>		<b>22.30</b>	<b>100</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
<b>Fossil gas related activities</b>		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

## Template 2 Taxonomy-aligned economic activities (OpEx / denominator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7.	<b>Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0	0	0	0	0	0
8.	<b>Total applicable KPI</b>	0	0	0	0	0	0

## Template 3 Taxonomy-aligned economic activities (OpEX / numerator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6.	Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7.	<b>Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	0	0	0	0	0	0
8.	<b>Total amount and proportion of Taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	0	0	0	0	0	0

## Template 4 Taxonomy-eligible but not Taxonomy-aligned economic activities (OpEx)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1.53	6.9	1.53	6.9	0	0
6.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7.	<b>Amount and proportion of other Taxonomy-eligible but not Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0.43	1.9	0.43	1.9	0	0
8.	<b>Total amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	1.96	8.8	1.96	8.8	0	0



## Template 5 Taxonomy non-eligible economic activities (OpEx)

Row	Economic activities	Amount	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4.46	21.9
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is Taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7.	<b>Amount and proportion of other Taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	15.88	78.1
8.	<b>Total amount and proportion of Taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	20.34	100.0

## Material Risks

In order to comply with Section 289c of the German Commercial Code (HGB), we have to report the material risks associated with our business activities if they are very likely to materialize and could have a serious negative impact on non-financial aspects of the business model. Here, three materiality requirements apply:

- Risks must be reported if this is required for understanding business development and performance, the business income and the position of the company.
- This must also be relevant for understanding the impact of the business activities of the Group on non-financial aspects.
- Reporting is mandatory only for risks that are very likely to have or do have serious negative impact on these aspects.

H&R operates a Group-wide integrated, Group-wide risk and opportunity management system. Our goal is to identify, assess, communicate and manage relevant risks at an early stage in order to prevent or limit damage to our Group.

Our risk management system is based on a process for identifying and managing risks. To do so, we also draw on sustainability criteria for the risk analysis. All relevant risks are classified uniformly throughout the Group. A risk is classified as low, medium or high based on the parameters "Likelihood of occurrence" and "Potential financial impact".

For the 2022 financial year, we have not identified any risks that are considered to be very likely to materialize and could have a serious negative impact on sustainability aspects.

Taking the supply and raw materials developments of February 2022 to the end of 2022 into account, we have also reassessed the effects of the continuation of the war in Ukraine on our sustainability strategy and have concluded that there have been manageable consequences for the economic situation of the Group thus far (such as slightly lower contributions to sales and income), though not directly for the implementation of the sustainability goals of the H&R Group.

## Understanding of Sustainability and Material Topics at the H&R Group – A Group Bearing Responsibility

As an owner-managed group of companies, a sustainability-oriented mindset forms the foundation of our corporate policy. We are convinced that the progress that the Group achieves in terms of quality management, safety, protection of the environment and human health, and compliance not only enhance the reputation of the Group, but also ensure the profitability and, as a result, the ability to sustainably increase the company's value and guarantee future viability.

This belief is anchored in our motto "Oil is far too valuable to burn!", which highlights our conviction to utilize finite resources sensibly. At the same time, we take our responsibility as an employer seriously and place a high priority on

employee safety and development. In accordance with a comprehensive approach, we also view the manpower and brainpower of our employees as a valuable resource.

We combine these aspects with our approach of flawlessly controlling and continuously improving production processes and associated services. This is anchored in our corporate policy, which can be viewed on our corporate website. Conceptually, we also utilize an integrated management system (IMS) that encompasses all Group processes and their associated workflows. Employees of the H&R Group can access the full version of the handbook for the integrated management system on the intranet or excerpts from it in the training system. This allows us to ensure awareness for the importance of the impeccable quality of our products and thus meet our quality objective to provide consumers with high-quality and safe products.

The IMS also gives equal consideration to aspects such as occupational health and safety, environmental protection and quality requirements based on requirements for internationally recognized certifications ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 17025, ISO 14067, ISO/TS 16949 and IATF 16949. The integrated management system as such is not specifically certified as the individual components are assessed by the IMS (internally and externally) and certified (externally) in accordance with the applicable ISO standards.

Not all of our Group companies are certified in accordance with all ISO standards. To reach our goal of an improved EcoVadis rating, we are pursuing a higher level of certification within the Group. If a customer also requires certification in accordance with a particular standard, this certification is carried out. All certifications held by the company are recorded in one file. Should further or regularly occurring requirements arise from this certification, these are recorded in a management review and reported to the Group management by the Executive Boards of the respective subsidiaries at regular intervals.

Sustainability has been firmly anchored in the organization of the Group since the beginning of 2022. To achieve our strategic sustainability goals, we have introduced the position of a Transformation Director to coordinate the planned transformation of the two specialty production sites of H&R Ölwerke Schindler GmbH and H&R Chemisch-Pharmazeutische Spezialitäten GmbH, which are of great importance to the entire Group, to more renewable feedstock sources. A core team, the Transformation Core Group, supports this process, including representatives from global product management and higher-level refinery management. The Group's Executive Board is also directly involved in overseeing the operations of the Group. Together, they select interim goals that still need to be defined and verify goals that have already been achieved.

## Challenges

As a Group that is active in the specialty chemicals sector, we face a wide variety of challenges with our business model. One of the major challenges stems from our vertical integration.

The processing steps in our production of specialty products exceed those of other refineries, whose processes end with the production of fuels and base oils. As a result, our products are more complex and have higher margins, though our process also involves higher energy costs and greater consumption of resources.

Our customers' focus is changing, too. Today, they demand not just the same proven product quality, but also expect the H&R Group to be in a position to deliver environmentally friendly and certified products. When we supply our customers with feedstock for processing or products with a reduced carbon footprint, we are also supporting them with their own efforts toward carbon neutrality.

Our customers expect us to conduct our business ethically. This expectation applies to the H&R Group as well as all its partners – upstream and downstream of their own value chains.

The implementation and adherence to these requirements also requires us to retain our skilled employees over the long term. We can generally only succeed in doing so if we offer our employees good jobs and enhanced job security while positioning ourselves as a responsible employer.

Throughout the challenges of the Covid-19 pandemic, which have lasted for nearly two years now, our primary focus was of course on protecting the health of our employees, which we did by means of extensive logistical and administrative protective measures. At the same time, we were able to strengthen the organization through new hirings in key positions.

## Stakeholder Dialogue

The H&R Group has to show a certain sense of responsibility toward its shareholders, i.e. toward its majority shareholders and the shareholders that have a vested interest in the Group's performance. But other stakeholders influence our activities, too: Without employees, our business would be impossible. Without reliable feedstock suppliers, we would hardly be able to produce anything at all. And the customers who need our products are particularly indispensable when it comes to ensuring our commercial success. Then, there are our financing partners and analysts, as well as stakeholders from the world of politics and civil society, the media and the general public.

Our reporting system makes a key contribution to this process of communication. It provides an insight into how we design internal structures and processes, into the goals we set ourselves and the measures we take to build on our performance and systematically drive the H&R Group in its further development.

In conjunction with the regular publication of our key financial figures, we engage in continual and direct dialogue with our shareholders. We are available to answer questions and receive suggestions personally and also give an account at the Annual Shareholders' Meeting. In addition, we engage in public relations activities which, in addition to the legal

requirements for transparency and reporting obligations, also shine light on questions of the business orientation and sustainability strategy of the Group by voluntarily providing information on these topics. We thus reported in the past financial year not only on the key financial figures but also on the projects that are connected with the described transformation.

Communication with our employees, for example at company meetings, in collaboration with the Works Council and during subject-specific workshops, is also an important component of our stakeholder dialogue.

Through our membership in economic and special interest associations as well as in concert with approval authorities and political decision-makers, we gain a fuller picture of what is needed to first define and then consistently implement the foundations and goals of a sustainability strategy.

### Identification of Material Non-financial Topics

In 2017, we put together a list of the relevant non-financial issues internally for the first time with the help of the Hamburg-based agency *berichtsmanufaktur*, which is specialized in sustainability reporting among other things, and coordinated these with the Executive Board. The agency provided us with support in defining the material topics on the basis of materiality considerations. This included an examination of the value chain of the H&R Group and the topics discussed, up until 2017, in the “Non-financial Performance Indicators” section of the Group management report. The key issues arise primarily from the challenges referred to above and how we deal with them, as well as from relevant industry and macroeconomic developments. In addition, the H&R Group maintains close contact with its relevant stakeholders throughout the year. In addition to our own contacts, this process provides the parent company’s management with an overall picture of our positioning within the relevant competitive, market and, above all, corporate network across various reporting and decision-making levels. Building on the materiality considerations from 2017, we continued to refine our material sustainability topics based on the issues brought to our attention by stakeholders. A materiality analysis with the direct and uniform involvement of internal and external stakeholders was not performed.

At the turn of the 2022/2023 year, this aspect was given new weight with a view to future updates to the materiality analysis and new stakeholder dialogue. A new employee, the Sustainability Manager, will overlook the recording of new key figures and will take over the essential balancing between our operational Group units and the holding company, for which reporting is mandatory.

The material topics we have previously identified for purposes of the CSR-RUG from the challenges mentioned above are:

#### MATERIAL TOPICS FOR H&R

Energy Consumption and Carbon Emissions	Climate and Environmental Concerns
Waste	
Water and Wastewater	
Human Resources Management, Employee Recruitment and Retention	Employee Concerns
Training and Education	
Occupational Health and Safety	
Clearance and Environmental Compatibility	Social Concerns
Social Commitment	
Respect for Human Rights and Supplier Management	Respect for Human Rights
Combating Corruption and Bribery	Combating Corruption

For topics that have been identified as material, our policies, due diligence processes, objectives and results are described below.

## Respect for Human Rights

Compliance in accordance with our Code of Conduct involves observing recognized human rights at our locations and in our business relationships. Above all, this means protecting the personal dignity and privacy of each individual. In addition, we recognize employees’ and/or business partners’ rights to freedom of assembly and association. Compliance with human rights is enshrined both in our Code of Conduct and in our corporate policy. In order to ensure that human rights are also respected in our supply chain, both our corporate policy and a separate Supplier Code are integral parts of the contracts we conclude with our suppliers. If a supplier hires a subcontractor, they must ensure that the subcontractor is aware of and complies with all the obligations that our supplier has entered into with us. These issues are not explicitly reviewed, but general supplier audits are conducted by the departments and/or companies in charge.

### Supplier Management

The H&R production and processing sites can call upon a flexible network of suppliers to secure their feedstock requirements. These tend to be other refineries, some of which are operated by renowned oil companies operating in the fuel refining sector.

The goal of our supplier management is above all the safe and continual supply to our refineries, processing and sales locations with raw materials and products.



We share an H&R Group-wide Code of Conduct with our suppliers, expecting them to respect and adhere to the principles set out in the Code. The Code is based on the recognized principles of sustainability: economic growth with a view to the long term, respect for human rights and the environment, the careful use of resources, employee protection and the quest to improve quality of life for present and future generations alike.

Compliance with this Code of Conduct is an integral part of the supplier selection and evaluation process in the H&R Group. We have set ourselves the goal to have no breaches of this within the twelve-month period of a financial year. Accordingly, no suppliers are added to our system who are not able to produce corresponding and above all valid quality and process certifications, such as in line with current ISO standards. If complaints or indications that there has been a breach arise during the course of the contractual relationship, the employees responsible for purchasing review the certification status of the suppliers. If we discover any breaches of the Code of Conduct, H&R also considers this to constitute a breach of the contractual relationship as a whole. The first step in such cases involves asking the supplier to remedy the breach. If the supplier fails to meet our request to our satisfaction, we reserve the right to terminate the contractual relationship.

We are not aware of any breaches of our Code by our suppliers last year.

## Combating Corruption and Bribery

The H&R Group has set itself the goal of being seen as upstanding and incorruptible in its business dealings. To achieve this, we place a great deal of emphasis on the correct dealing with business partners, customers and public authorities and therefore ascribe a core position in our compliance management system and our Code of Conduct to combating corruption and bribery. The latter clearly states that award decisions are based exclusively on a performance evaluation. Accordingly, we strive for success based on the quality of our performance and will not tolerate any kind of corruption or other unfair business practices that could help to obtain advantages. As a result, the Code of Conduct also contains unambiguous rules covering, among other things, the granting or acceptance of benefits or gifts, participation in primarily non-commercial events, and sponsorship. We consider the most important measure in achieving our goals to be our Group-wide training system, which provides training for our employees on the issue of corruption. In addition, our employees know that in case of doubt they can contact the compliance manager, their superiors or the Executive Board at any time. Reports can be made directly or through an anonymous whistleblower system. There is also a quarterly assessment of the inventory of risks at all Group-wide sites, during which the managing directors must report on legal and compliance risks. No cases of corruption were reported during the past reporting year.

## Social Commitment

At its sites, the H&R Group is not only a company and employer, but also a neighbor. We consider ourselves to be part of the social structures around our corporate sites and aim to be seen as a responsible and engaged partner.

The H&R Group does not yet pursue an overriding, Group-wide policy regarding its social commitment as we believe that individual approaches are better suited to our internationality and local needs. In keeping with this, we take our social responsibility seriously and utilize a variety of measures to do so. Suggestions and complaints from the public are investigated accordingly; the remedy is usually direct and unbureaucratic.

Our sites are responsible for their own social activities, which are adapted to the circumstances of the countries in question. In Germany, for example, we support the Landmann Foundation, which provides a total of €12,000 of funding for students in our specialty areas (Chemistry, Engineering Sciences) as part of the Deutschlandstipendium scholarship of the University of Hamburg. We most recently renewed our commitment for the winter semester 2022/2023 and have pledged our support for a total of six scholarships.

The H&R Group also is involved with sporting events and youth programs and supports various institutions. We are especially proud of our many dedicated employees who volunteer with various religious, sociopolitical and community activities near our sites. Above all, they are making a difference in areas where what is needed is helping hands, not financial resources. H&R supports these employees by taking their plans into account in shift, workday and vacation planning.

# CLIMATE PROTECTION AND CONSERVING RESOURCES

**We want to use our feedstocks efficiently and sparingly. As a result we also view the base materials we produce, such as hydrogen, as more than just a source of fuel and therefore use it as a material process component with added value.**

## Management Approach

Our society faces major geopolitical challenges in order to stop climate change. The aim of international climate policy is to limit global warming to less than two degrees Celsius until 2100 as compared to the level before industrialization. The challenges that arise from this, affecting many areas of our daily economic activities, are enormous, with the stipulations essentially requiring the transformation of entire industry sectors. This affects us in the area of mobility as well as in the chemical base materials industry.

Our aim to make responsible use of natural resources and to protect the climate and our environment is an established component of our corporate policy. We are always striving to reduce energy consumption and the amount of environmental pollutants caused by the production process. We also work to help our customers to protect the environment. As part of this, climate-friendly process technologies and raw materials will continue to become increasingly important, paving a new path for the largely fossil-based industry production.

The H&R Group is working toward the goal of specialty production based on renewable raw materials and energy. We want to sustainably reduce fossil-based raw materials and replace these with bio-based, synthesized and recycled raw materials. Rather than achieving full decarbonization in the sense of completely eliminating the use of any carbon sources in the production of our products, we want to support the use of alternative, non-fossil hydrocarbon sources and thus operate our refineries in a climate-friendly manner as the core of our Group-wide business.

We strive to achieve a 70% proportion of products from sustainable raw materials Group-wide by 2030. By 2035, we want to achieve carbon-neutral production. Laid out as overall targets in 2021 for the first time for the Group parent company H&R GmbH & Co. KGaA, we maintained these targets in 2022 as well despite the adverse conditions resulting from the war in Ukraine.

Group-wide, our production and processing sites are certified in line with ISO standards 9001 (quality) and 14001 (environment). Our specialty refineries and GAUDLITZ GmbH are also certified in line with ISO standards 45001 (occupational health and safety) and 50001 (energy), which we use to monitor and control our energy, resource and CO<sub>2</sub> management. Since 2012, we have been reporting figures for our carbon emissions, wastewater and waste as the amount of emissions per ton of feedstock. This allows us to better record the emission load than by means of the absolute amount of emissions, especially as this can change regularly with changes in the set-up – for example, due to new systems. As the degree of vertical integration increases and production efficiency improves, we aim to avoid exceeding our own 2011 reference value and where possible to come in below that benchmark.

Our “Environmental Aspects and Impacts” database enables us to identify which of our activities have an impact on the environment. This allows us to identify opportunities for improvement and develop appropriate measures.

Due to the high complexity of the areas of activity and the large number of legal frameworks to be considered, the Group’s Executive Board is assisted in carrying out these requirements for monitoring and implementation by an organization of appointed officers. It consists of employees who record the legal requirements that are relevant for their area of responsibility, make these clear for all to understand, ensure their implementation and documentation, in addition to reporting on their activities as an appointed officer. This organization of appointed officers covers the following areas in terms of climate protection and resource conservation:

- Environmental protection
- Energy management
- Waste management
- Water protection

The appointed officers meet regularly to compare and discuss these issues, and to make recommendations for department-specific measures and goals. Minutes are kept on the topics covered in these meetings and are saved in the integrated management system.

## Energy Consumption and Carbon Emissions

Our goal is to optimize our production processes so as to maximize the proportion of specialty products and to minimize the proportion of barely usable components, or components that can only be used in a combustion process. Our feedstock is a key element in this regard, because the better its quality and the more specifically it is tailored to suit the individual production units, the greater the yield of high-quality specialty products.

The chemicals industry faces the challenge that it cannot be fully decarbonized – even in a greenhouse-gas-neutral world, carbon sources will still be needed for its products. As such, we want to increase the share of hydrocarbon-based raw materials (from organic, synthetic and recycled sources) that we use and reduce the share of crude oil-based source materials. Our aim is therefore to do without feedstock based on fossil sources such as petroleum. Since non-fossil carbon sources such as biomass or removing CO<sub>2</sub> from the air are only possible to a limited extent and/or very costly, the recycling of carbon sources (such as chemical recycling/pyrolysis processes) and the consistent building of a circular (carbon) economy play a central role in achieving carbon neutrality.

But energy consumption also plays an important role here – the greater the degree of processing, the more energy has to be used to produce the products. In general, the basic chemicals sector is a branch of the industry with very high final energy consumption, which is currently primarily fulfilled through the direct use of fossil energy sources. To avoid energy-related emissions from burning fossil fuels, high additional demand for renewable energy in the country's energy mix is necessary.

We pursue a Group-wide approach for the efficient use of energy. Our refinery sites are aligned with the ISO 50001 standard and must therefore meet annual environmental targets or improve their environmental performance. The goals that have been set could be carbon reductions, for example, which can be calculated from energy savings. Worldwide, the processing and sales sites that are not certified and whose energy policies are thus not inherently laid out by the ISO standards have defined Continual Improvement Process (CIP) projects. The goals are not stipulated by the Group at these sites. They can, however, include increased energy efficiency through the use of energy-conserving machinery and tools, through preventative maintenance or an optimization of the process steps.

For the two energy-intensive specialty refineries in Germany, whose energy costs are also significantly higher than the international average, our company has also declared the goal of always keeping their energy consumption as low as possible and ensuring that it is as efficient as possible to reduce the carbon emissions as much as possible.

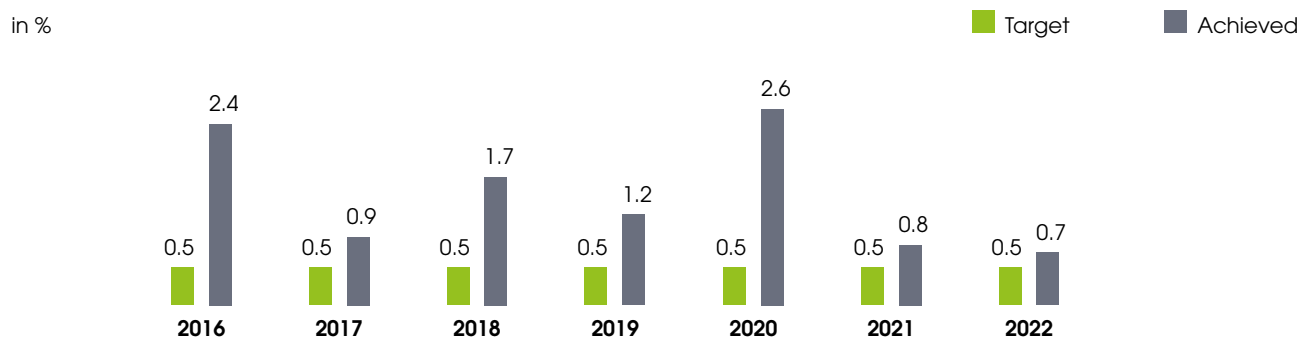
By doing so, we not only want to improve our own carbon footprint but also to help achieve the climate protection goals called for by the Federal Government and the Paris Agreement. With this in mind, we have established an energy management system pursuant to the ISO 50001 standard at our refinery sites in Hamburg and Salzbergen. It defines company responsibilities and includes commitments to improve energy-related performance and compliance with all applicable statutory requirements relating to energy use. It also provides the framework for individual strategic and operating targets, along with measures for achieving them.

The energy consumption at our refinery sites is recorded on an ongoing basis and evaluated once a week. This allows us to intervene quickly if need be and identify specific measures to save energy. In 2022, these measures comprised the automation of mixing and heating processes in product containers, replacing defective technical equipment with new and more energy efficient technology (air compressors, electric motors, pump systems, lighting) as well as replacing heating insulation and the functional optimization of steam traps.

The overall savings achieved through this are not inconsiderable – in the 2022 financial year alone, they amounted to 11,902 MWh (previous year: 11,644 MWh).

The self-imposed target for annual energy savings across both refinery sites of 0.5% based on the respective previous year's consumption was again exceeded in 2022 with savings of 0.73%.

## Energy Savings Resulting From Energy-Saving Projects Implemented in our Refineries



Compliance with the requirements of the ISO 50001 standard is regularly monitored as part of the recertification. If the requirements are not met, we adjust our measures and processes accordingly. The next independent audit, which will confirm our ongoing compliance with all of the ISO 50001 requirements, will take place in 2023. We also conduct annual internal audits to verify and demonstrate that the requirements of the ISO standard are actually applied in practice within the organization. We avail ourselves of the option under the ISO 50001 standard not to make our energy policy available to the public.

One of the major effects of higher energy efficiency and lower energy consumption is lower emissions of CO<sub>2</sub>. The measures taken to reduce carbon emissions within the Group are largely in line with those taken to reduce primary energy consumption, as outlined in our energy policy. Our flexible-control hydrogen electrolysis (PEM) system, for example, allows us to produce hydrogen from renewable energy sources at our refinery in Hamburg-Neuhof. This means that we can avoid the carbon emissions associated with external production of hydrogen from fossil energy sources and its transportation to our refinery.

To ensure a continual overview of our emissions in the future, we developed an emissions and carbon footprint calculator and had it certified in accordance with ISO standard 14064 in 2022. This calculator, when fully linked with the corresponding databases for energy sources and transport chains, will allow us to determine the direct and indirect emissions for each product. This is carried out Group-wide and fulfills the requirements of a “cradle to grave” view of the life cycle by including not only our own emissions (Scope 1) but also emissions from energy sources (Scope 2) and upstream and downstream supply chains (Scope 3).

At the same time, our “CO<sub>2</sub> in kg/ton of feedstock” emissions indicator, which shows the emissions of our German production sites, will be expanded to show additional findings.

From a legal standpoint, the main pillars for determining our carbon emissions per ton of feedstock are, first and foremost, the provisions of the Greenhouse Gas Emissions Trading Act (Treibhausemissionshandelsgesetz/TEHG). In addition, the ISO 50001 standard also calls for the monitoring of relevant data by providing for energy reviews, binding energy efficiency

indicators and the introduction of an energy life cycle statement for certain plants. Finally, industry standards and very specific information such as data on individual plant set-ups, processes and production methods used, and the composition of energy sources and other operating resources used, are also included when calculating our carbon emissions. For the 2022 financial year, the emissions per ton of feedstock that resulted from raw materials processing and production at our production sites amounted to 367.0 kg. The figure for the past financial year was therefore 2.1% higher than the 2011 benchmark (359.6 kg) and above the total amount of the previous year.

## Carbon Emissions of H&R Refineries



At the same time, however, carbon emissions have fallen in absolute terms since 2011. Viewed over the past eleven years, both refineries of the H&R Group show an approx. 4.0% drop in total emissions based on the 2011 benchmark.

At the same time, we also express our emissions in relation to the raw materials we use. Rather like a high-performance engine, our processing facilities are most efficient when they are operated at peak performance with the highest possible throughput volumes. By contrast, a low-revving engine leads to higher fuel consumption, higher emissions, etc.

2022 was characterized, among other things, by our transition to feedstocks of non-Russian origin. This impacted operating factors such as the throughput of the plants and the output structure, and it was also connected with higher CO<sub>2</sub> emissions compared with the previous year.

The electricity required to produce hydrogen comes from the energy grid and, according to the Federal Network Agency, was 48.3% from renewable energy sources in 2022. We purchase Green Energy Certificates to ensure that electricity and water become 100% “green hydrogen.”



The production of hydrogen in the electrolysis plant is carried out analogous to the approach laid out in Article 25, paragraph 2 and Appendix V of the EU Directive (EU) 2018/2001, which requires savings of life cycle THG emissions of 73.4% for hydrogen (equals life cycle THG emissions of less than 3 t CO<sub>2</sub>eq/t H<sub>2</sub>) over a comparable value for fossil fuels of 94 g CO<sub>2</sub> eq/MJ. If hydrogen comes into contact with atmospheric oxygen and the necessary ignition power is added, both burn off as water.

## Waste

Because of the wide variety of types of waste, the quantity, the complexity of disposal procedures and disposal costs, operational waste management has a high priority for the H&R Group. At the same time, this waste is very materially linked to the processing of raw materials for the coupling process as well as in relation to the processing plants at both refineries. At the international processing and sales sites, there is either no processing waste or only insignificant amounts that are not summarized in a Group waste record. Accordingly, the wastewater volume listed in the following refers solely to our two refinery sites in Germany.

The goal of our waste management is to ensure professional disposal of the waste, thereby adhering to the legal frameworks. At the same time, we want to avoid detriments to the general population that could arise from the waste or the disposal. As much as possible, we strive to reduce or reuse waste rather than dispose of it.

For the refinery sites, the legal parameters are laid out in Section 60, paragraph 2 of the Act to promote recycling and ensure ecologically friendly waste management (Closed Cycle Waste Management Act – KrWG). Additional requirements arise from the recurring certification in accordance with ISO standard 14001.

The most important measure for adhering to the requirements is the position of the waste officer. This officer oversees the scope and execution of processes stipulated by waste law at the Hamburg and Salzbergen sites. This also includes in particular matters of professional and legal disposal. The classification of the waste, the selection of the specialized disposal contractors and the compliance with the requirements is also monitored at both sites by an external and independent company. It also supports the work of the waste officer with internal audits and audits by the disposal contractors and therefore additionally ensures that laws, provisions, audit obligations and regulations are adhered to. Overall, this ensures the performance of our waste management.

In addition, the waste officer informs Group employees on matters of waste management, using the waste handbook or disposal plan created individually for each location.

The officers report on their activities, which is then provided to the Executive Board.

In general, our waste comprises substances that are directly connected to processing and storage at our production sites.

At the same time, our calculations also include project-related waste that does not originate from our production processes. This may include, for example, soil excavated during construction work, which will be recognized as “Waste per ton of feedstock”, just as process waste is. Waste that we cannot currently avoid is disposed of professionally and in compliance with all legal requirements. In general, our goal is to keep the amount of waste as low as possible.

Goals and measures to reduce the amount of waste we generate are identified and implemented as part of our environmental management system, which is certified in accordance with the ISO 14001 standard and also includes specifications on waste management. This standard specifies environmental management requirements that organizations can implement to improve their environmental performance and to achieve environmental targets. It is based on the central elements of planning, implementation, control, and improvement.

### Waste Generated by H&R Refineries



In total, the waste included in the calculation of our KPI generated by H&R’s refinery sites is only a fraction of the raw materials originally used. It includes all substances and materials that cannot be recycled by refineries (other than scrap metal, paper, etc.) or disposed of separately (other than residual operating materials, household waste, etc.) due to their composition. This waste, which is classified as “hazardous” in the Waste Catalogue Ordinance (AVV), and other regulations, is sent for incineration as hazardous waste by special disposal companies and serves as a source of energy. By way of comparison, in 2022 the amount of waste we produced rose for the first time since recording began (an increase of 2.4% compared to the benchmark year of 2011 (3.09 kg/ton of feedstock). In the past financial year, 3.17 kg more waste per ton of feedstock was generated.

## Water and Wastewater

The prudent and conscious use of water resources is an issue that the H&R Group classifies as material. At the same time, the amount of water that is required is very materially linked to the processing of raw materials for the coupling process as well as in relation to the processing plants at both refineries. At the international processing and sales sites, there is either no wastewater or only insignificant amounts that are not summarized in a Group waste record. Accordingly, the wastewater volume listed in the following refers solely to our two refinery sites in Germany. Our water sources at these sites are the local utility companies. The Salzbergen site also draws water from the Ems River and uses it, in processed form, as process and boiler feed water to provide steam. Water from the river is also used to compensate for evaporation losses in the cooling water circuit. In order to conserve water, we use our cooling water several times in the process in some cases.

Most of the water required for our refineries is used for cooling. This water does not come into contact with our products and can be returned directly to the environment. Both refinery sites have permits for the legal removal and return of water. Only a small proportion of the water is used directly in our refinery processes.

As a rule, the goal of our water/wastewater management is to consume as little water as possible and to generate as little wastewater as possible. In addition, we aim to return wastewater that is clean and adheres to regulatory requirements. For polluted process wastewater, cleaning is ideally carried out on site.

The legal framework for water withdrawal and return is laid out in Section 65 of the Water Management Act (Wasserhaushaltsgesetz – WHG) as well as the Act on Plants for the Handling of Water-hazardous Substances (AwSV). The most important measure for organizational monitoring here is also the organization of appointed officers, for which the on-site water protection officer monitors the operational processes that are material for water economy as well as legal requirements. On top of this, the discharge of wastewater is monitored by the authorities (Lower Saxony Water Management, Coastal Defense and Nature Conservation Agency) through inspections and taking samples.

The water protection officers inform the site employees on matters of water economy, using the electronic instruction system SAM.

The officers report on their activities, which is then provided to the Executive Board.

After deducting the amount of rain falling on sealed surfaces, which is also added to the wastewater but is not included in the wastewater balance, we drained off a total of 755.7 l of domestic or process wastewater per ton of feedstock in 2022. As a result, we were significantly down on the 2011 benchmark (861.2 l) by around 12.3%, but well above the previous year's figure.

### Wastewater Generated by H&R Refineries



# PRODUCT RESPONSIBILITY

**We want our products to be safe over their full life cycle and while being used as intended – from research, production, marketing and use by customers to disposal.**

## Management Approach

Our Group-wide corporate policy is the top-most guideline for our activity. It calls for an improvement of production processes, products and services in a continual process that is built on the knowledge, responsibility and experience of our employees and is supported by our training and education program.

The most important tool here for the implementation is the integrated management system with its safety and risk management system. The management handbook for the IMS also applies Group-wide and is available to all employees in multiple languages via our document database DokWeb.

We pursue a zero-error approach in terms of our product responsibility and the quality of our products. Production is thus regulated by a number of instructions in the individual organizational units and is managed at each location by the employees in production. The production processes in use are commonly used processes that are in line with the state of technology in the petroleum-processing industry. These are processes for distillation, extraction, deparaffination, hydration, formulation and filling processes. The instructions for these processes describe in adequate detail the steps of the activities in the individual organizational units as well as the corresponding interfaces and handover points. They also indicate specific product characteristics, the settings for machinery parameters, carrying out tests and how to handle faulty products. The instructions are on display at the employees' workspaces or are also available electronically via DokWeb.

All processes for production and providing services are validated before approval is given for serial production or before the service is provided. This includes:

- Qualification of processes
- Qualification of equipment and employees
- Use of defined methods and processes
- Required recordings
- Renewed validation

The goal is to ensure that the resultant product or the process is able to fulfill the requirements (including customer requirements) for the intended application or use. If the customer wishes, we use approved processes for production process and product approval such as VDA Volume 2, PPF processes and initial sample test report or PPAP based on IATF 16949.

Our Code of Conduct additionally reminds our entire organization to design our production processes and processing plants in such a way that they conserve resources – as a sign of our respect for the environment, the community, our business partners and our employees. We utilize the environmental media of air, water and soil in our activities only with prior approval and construct or operate our production facilities in accordance with these previously granted legal stipulations.

The relevant legal frameworks for ensuring safe products are the legislation on chemicals and dangerous substances as well as REACH (the European Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals) and apply to the raw materials processing production units of the H&R Group.

The most important instrument in ensuring that these are adhered to is the position of the officer for product safety. These officers examine the scope and execution of relevant processes and therefore additionally ensure that laws, provisions, audit obligations and regulations are adhered to.

In addition, on request the product safety officer instructs employees about matters relevant to chemicals legislation. The officers shall regularly inform the management about their activities.

For 2022, we are not aware of violations of legal provisions, requirements or labeling obligations.

However, we cannot fully rule out the risks inherent in operating industrial plants (including risks arising from our specialty production sites and our products). To ensure that both the sites and their neighbors are protected, we operate our own firefighting crew at our locations and/or are in close contact with the local emergency teams. Regular drills ensure smooth cooperation.

## Clearance and Environmental Compatibility of Products

H&R differentiates between core products and by-products or combustion products. We have set ourselves the goal of having 70% our core products produced sustainably by 2030, i.e., based on bio-based, synthesized or renewable raw materials and to include our customers in this process in a timely manner. In this way, we define together what exactly is needed with which product characteristics. Once these questions are clarified, new products are introduced to the market.

The business area in which H&R operates, the production of hydrocarbon-based specialty products, is a very particular one. Our products are needed in a wide variety of sectors. This makes it all the more important for us to live up to our responsibility toward the environment and our neighbors, as well as our business partners and employees, and to manufacture products that are safe to use and are also as environmentally friendly as possible. The conservation of natural resources and the use of environmentally friendly and safe production processes that save energy are an absolute must. This is why, throughout the H&R Group, it is the joint responsibility of all employees to constantly search for opportunities to reduce the environmental impact of our processes, products and services, as well as the environmental impact within their own working environment. H&R operates a comprehensive improvement management system. In addition, we modernize our manufacturing processes and processing plants and, in the case of the hydrogen electrolysis plant or the power-to-liquids plant, add new technologies to the plant set-up.

### Safe Processes Ensure the Safety of Products in Contact With Humans

Our products are used in a vast range of industries and in almost all areas of day-to-day life, for example, in the food and packaging industries, but also in the cosmetics and pharmaceutical sectors. In the food industry, for example, cheese rinds are coated with paraffin to prevent the cheese from drying out. The packaging industry has various uses for paraffins, including coating the inside of Tetra Pak containers. Medical white oils are used in cosmetic products such as creams and ointments. Since our products also come into direct contact with people in the end products in which they are used, it is particularly important that they are harmless and non-hazardous to health over their entire life cycle.

Raw materials, auxiliary materials, semi-finished and finished goods, materials and empty packaging are monitored through tests to ensure adherence to the defined specifications and inspection planning. The tests are carried out in accordance with standards or internal inspection guidelines that specify the inspection characteristics with tolerances, the scope and method of the inspection as well as the testing instrument to be used. As part of container filling, initial container tests ensure that there is no cross-contamination between intermediary products and final products in the filling plants when

switching products. For this, first samples are taken from filled containers, which are then analyzed to test that the specifications have been adhered to.

The foundation for the testing of our means of transportation and containers (tanker trucks, trucks, tank cars, ships, barrels, canisters, etc.) is a system of checklists, databases and instructions.

When goods are accepted, a conformity assessment is carried out to check quantity/amount, delivery date adherence, packaging, labeling and defects. The results of these order entry tests are also part of supplier assessment. The documentation of these product tests is archived in the laboratory information and management system (LIMS) – where available.

On the other hand, we apply international standards such as Advanced Product Quality Planning (APQP). If a product does not comply with the technical or statutory requirements, or is not consistent with the customer's specifications, it is not approved.

### Protecting the Environment With the Highest Quality Specifications and Efficient Use of Raw Materials

In recent years, we have also concentrated on developing products that meet the highest quality standards. These products offer an alternative to products containing environmental pollutants, for example, or help to protect the environment by virtue of their use. For example, the white oils produced in our production sites are used as components in pesticides to improve the yield of renewable raw materials. Products made of domestic timber varieties are weatherproofed using our paraffins. Their use renders the deforestation of tropical forests unnecessary. In the automotive industry, our innovative plastic products are increasingly being used to substitute metal parts. The resulting weight reduction helps to reduce vehicle fuel consumption even further.

Nevertheless, residue is produced in the processing plants at our raw materials processing production sites. By using our propane deasphalting facilities, we can convert these residues in a cost-effective manner and thus reduce the amount of residues that can only be used for burning. These are transformed in renewed process steps into other specialty products such as paraffins and asphalt for use in the road-building industry and are sold through our NordBit joint venture with the Hamburg-based company Mabanaft. In 2021, the residues from our specialty production sites were increasingly being reused by other refinery operators as raw material known as coker or cracker feed. For 2022, the share of co-products, which were able to be sold in higher-quality applications, was at over 98%. As we would like to be able to completely avoid combustion products, we are expanding our sales measures in the area of coker/cracker feed. We anticipate a further reduction through the transformation of raw materials use as fewer residues occur from the processing of fossil raw materials with increased use of renewable and synthesized raw materials.



### Long-term Plan to Restructure the Product Portfolio

With our three-pillar strategy, we have taken the first step toward moving from primarily fossil-based raw materials to more sustainable solutions. At the same time, we are also aiming to diversify these sustainable or renewable qualities into three main pillars. The first projects that have already been implemented, such as our hydrogen electrolysis system in Hamburg, will be followed by further innovation projects. By creating hydrocarbon compounds on the basis of biogenic CO<sub>2</sub> and green hydrogen, we are aiming to transform the chemicals industry and convert our product portfolio to synthesized, bio-based or renewable qualities. Internal project names such as CO<sub>2</sub>NVERSION or NextGate describe the sense of departure from old structures and have a real chance at being implemented as blueprints for future projects or have already been implemented.

# EMPLOYEES

The motivation and qualification of our employees is essential for our corporate success. We want to create a positive work environment and support team spirit, commitment and responsible activity.

## Management Approach

The Group has a structured corporate organization. This structure is laid out in organizational charts. Where this is not otherwise contractually stipulated, all Group employees have function and job descriptions which clearly cite their tasks, authorizations and responsibilities.

Our Group's success is also heavily dependent on the skills, performance capabilities and commitment of our employees.

Maintaining skill sets in the long term is therefore incredibly important; strengthening these is a goal of our training and education policy. We gain the performance capability and commitment of our employees by adhering to the applicable labor laws, by negotiating collective bargaining agreements or special corporate agreements as well as through a performance-based remuneration system. Although the Covid-19 pandemic did not play a significant role in the collaboration of our employees in 2022, we were able to learn important lessons and gain experience from the pandemic. Even after the legal requirement to make work-from-home conditions possible, we continued to make this option available for maximum flexibility. Many people made use of this offer for remote working in 2022 as well.

The employee figures for 2022 demonstrate the additions to our workforce of new specialists in the fields needed by H&R Group. Like all H&R employees, these new staff members will make a key contribution to the company's future viability.

We also train our own junior staff and offer appropriate pay and personal training opportunities in order to retain skilled employees within the H&R Group over the long term. Once we have found the right employee, our goal is to work with them for the long term. An indicator for achieving this goal is the turnover rate, which we ascertain for the German sites of the ChemPharm Refining segment and the primary location in Coburg of the Plastics segment.

In addition, the H&R Group prioritizes safety and making sure that employees remain able to work. We ensure this by applying corresponding occupational safety requirements and offering health promotion measures.

In our human resources work, we are guided not only by the local legislation, but also by our globally binding guidelines, such as the Code of Conduct, the corporate policy and our compliance manual.

## Human Resources Management Organization

The human resources management of the H&R Group is organized in such a way as to take into account site-specific and country-specific differences. Local human resources departments at the sites tailor their human resources management approaches to fit country-specific requirements. The particular conditions in local and regional labor markets pose a special challenge to the human resources management, as they sometimes differ greatly, such as in terms of demographics and level of education. They are supported by the Group human resources department in Hamburg.

## Employee Structure

At year-end 2022, the number of people employed by the H&R Group increased to 1,631. The following table shows a breakdown by division:

### Employees by Division

	2022	2021	2020
<b>Employees</b>	<b>1,631</b>	<b>1,585</b>	<b>1,585</b>
of which ChemPharm*	1,253	1,193	1,153
of which Plastics	309	317	382
<b>Other</b>	<b>69</b>	<b>75</b>	<b>50</b>
<b>Personnel expenses in € million</b>	<b>99.6</b>	<b>99.2</b>	<b>83.0</b>

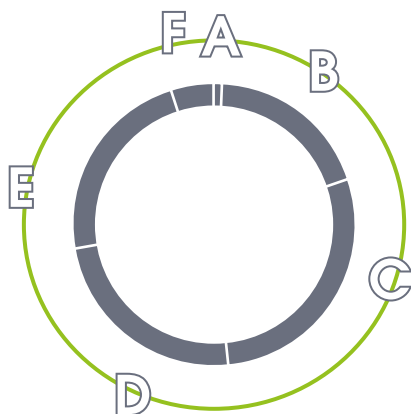
\* Refining and Sales segments combined

A large number of our employees work at the German production sites in Hamburg and Salzbergen in the ChemPharm Refining segment (728 people; December 31, 2021: 717). At the international processing and sales sites of the ChemPharm Sales segment, a total of 525 workers were employed (December 31, 2021: 476). A total of 309 people are employed in the Plastics segment, operated by the Group subsidiary GAUD-LITZ GmbH with locations in Coburg, Dacice (Czech Republic) and Wuxi (China) (December 31, 2021: 317).

Group-wide, the proportion of female employees was at 29%. It is thus significantly higher than the figure for the 2021 financial year, which included only the German sites and had been at 19%.

We ascertained the age structure of all our employees for the first time Group-wide in 2022. During the reporting period, the 31-to-40 age group made up the largest percentage. Compared to the figures for 2021, which were strictly for the German sites, the Group average is considerably younger.

## Employees Group-wide by Age



Age group	Proportion*
A Under 20	1%
B 21–30	19%
C 31–40	29%
D 41–50	24%
E 51–60	23%
F Over 60	5%

\* Rounding differences may occur.

We believe that we benefit from the wide range of skills and the dedication of all our employees. We see the diversity of the people we employ as an asset. Employees with disabilities and health conditions are offered particular protection. We work closely with the relevant agencies to find solutions that enable employees with health restrictions to keep their jobs or move to a suitable position. This means we can retain skilled workers and keep long-standing, valuable knowledge within H&R. In 2022, our Group had 28 employees with severe disabilities, accounting for 2.0% of the workforce. Of those, 17 employees were in the ChemPharm Refining segment, five were in the Plastics segment and six were at the international sites in the Sales segment.

A total of 32 employees were on parental leave Group-wide (2.0% of all employees), of which eight were at two German production sites, 14 at the international sites in the Sales segment and ten at the sites of the Plastics segment. One person at the level of the Group parent company made use of parental leave.

As a company with global operations with a total of 48 subsidiaries, the H&R Group has a heterogeneous and diverse employee structure that comprises various nationalities, cultures, ethnicities and genders in one Group. We take these differences into account, for example with local senior executives who are connected to the location through culture and familiarity, while also maintaining the success of the Group as the shared goal of our strategic orientation.

## Employees in Management Positions

In line with the legal form of the parent company H&R GmbH & Co. KGaA, in accordance with Section 76, paragraph 4 AktG, the general partner with full personal liability, H&R Komplementär GmbH, has defined the following targets and deadlines for achieving them in agreement with the Advisory Board and the general partners of H&R Komplementär GmbH for the levels of management below the Executive Board:

When filling management positions at the company, greater priority must be placed on the criterion of diversity. In addition to balanced professional qualifications, the objective is to achieve greater international representation and appropriate representation by women at the levels of management below the Executive Board by taking diversity into account. Management positions are those in which employees have the right to make decisions and discretionary power over HR and material matters. As for achieving a certain percentage of women at the levels of management below the Executive Board, the managing director of H&R Komplementär GmbH has defined a minimum target quota for women of 20%.

We determined that there were 243 management positions Group-wide in 2022 according to the aforementioned definition, of which 51 were held by women. The target quota is thus, considered globally, somewhat exceeded at 21%. When viewed by segment, Refining has roughly 7% women in management at the two industrial and production sites. In the Plastics segment, there are 17%, and even 30% at the international sites of the Chemical-Pharmaceutical division. The percentage is equally high at the Group parent company level.

## Employee Recruitment and Retention

In order to meet its economic and strategic corporate objectives, the H&R Group is counting on qualified employees at both its production sites and refining locations. The orientation of these goals is as clear as it is simple: We want to fill all open positions in a way that the profile requirements of the position and the skills profile of the employee fit together as best as possible. Human resources work therefore focuses on employee recruitment and retention. We use a differentiated approach to recruit employees. Open positions in the company are advertised internally in collaboration with the employee bodies. In business and administrative departments, we utilize online platforms and job fairs. For vacant executive positions, professional human resources consultants assist us with the search and selection.

When making our final decision in interviews, we take a comprehensive look at the skills of the applicants and consider subject knowledge as well as social skills.

One of the main areas we focus on is recruiting young employees as apprentices training to become chemical technicians or laboratory technicians. With regard to this, at the start of 2022 the H&R Group also began to test social media approaches, such as the Instagram account initiated by our current trainees at the two German production sites.

For new employees, the supervisor responsible for them creates onboarding plans and qualification matrixes which detail job-specific aspects as well as instructions for site-specific systems such as an introduction to the IM system. Instruction from qualified individuals on topics such as occupational safety, environmental protection, energy efficiency, operating dangers, accident protection, and how to act in the event of an alarm continue to be obligatory for new employees.

Our performance-related remuneration models and flat hierarchies also make us an attractive employer for experienced professionals. At the German sites, most employment contracts are subject to the terms of collective bargaining agreements. In addition, we offer our employees flexible working hours (part-time arrangements, honor-system working hours), which – to the extent possible, given the processes and operating needs, such as shift work – they also take advantage of. During the pandemic in particular, the Group expanded its options for working remotely, i.e. not on-site or in the office.

The H&R Group operates the improvement suggestion management system “Fit for Future” in Germany. The goal is to utilize the motivation and will of the workforce to make improvements, thus increasing corporate success and contributing to job satisfaction. The task of all senior executives is to take suggestions from employees seriously and support these once they have been evaluated.

Active input from two different perspectives makes it possible to achieve contributions to permanently improve the

- profitability,
- process and product quality, and
- occupational safety, health and environmental protection

of the entire company.

At the same time, an improvement and suggestion system fosters a culture among all our employees of shared responsibility in the company’s development. All of the ideas and implemented measures of this improvement management system are recorded and processed online. A bonus system for implemented suggestions also increases the incentive to make suggestions. There are currently no plans to introduce such a system Group-wide.

We calculate the turnover rate exclusively on the basis of voluntary resignations. Employees entering retirement are not

counted, as new employees are generally hired to replace them. Our employees are very committed to the H&R Group. This is evident in the generally low staff turnover rate of only 0.4% at the German sites in the chemical-pharmaceutical production sites of the REFINING segment. In the SALES segment, which comprises the overseas sales and processing sites, the quota for 2022 was at 9.0%; in the PLASTICS segment, it was 14.9%. Overall, the Group had a turnover rate in the past year of 6.5%.

## Training and Education

As we can only compete internationally if we have superbly trained employees on board, we consider our spending on advanced training and professional development to be an investment in the future of our Group.

There are currently no Group-wide target figures for the number of trainees. This is due to the structure of German apprenticeships, which combines academic and on-the-job components, unlike in most countries. For the two refinery sites, conversely, target figures were defined for 2022 for the fields of chemical technicians, chemical laboratory assistants, warehouse logistics specialists and office managers and filled as follows:

	Salzbergen target (occupied)	Hamburg target (occupied)
Chemical technicians	4 (4)	4 (2)
Chemical laboratory assistants	2 (2)	2 (2)
Warehouse logistics specialists	–	–
Office managers	–	1 (0)

The target figures reflect the need and training capacities of the two sites and are reassessed annually.

The need for warehouse logistics specialists could, once again, not be met before the end of 2022 and the search has been given up for the time being. The same situation applied to the Salzbergen site for office managers.

From 2024, the Hamburg site will shift its search for trainees to industrial business management assistants rather than office managers.

We view the German system of a dual education system with components that take place in the company and components learned in a technical university as a good foundation for achieving sustainable and qualified training. This is something we would like to set up at our foreign sites as well, if the relevant structures were in place. We held the first exploratory talks on this with contacts from the South African-German Chamber of Commerce in 2022.

When choosing advanced training courses for our experienced employees, we follow an approach that promotes employees' individual strengths and helps them to develop their potential and achieve their individual career goals. In addition, the current need for qualification and thus education of employees is evaluated by their supervisor or the employee, also through employee reviews. Legal instruction obligations are taken into account as part of the overall training planning. The effectiveness of training is assessed and documentation of the training is created and archived in the training database of the H&R sites. Details on employee qualifications are regulated, where needed, by site-specific process instructions.

We also use the aforementioned process for employees with temporary contracts or contractual workers such as contractors or temp workers. The increasing complexity of our plants and equipment also requires well-trained employees. Which is why, for example, we deploy only experienced employees for the supervision of the processes in the production sites as well as shift management in the plants, whom we assign to young, new employees over a period of several years. By pairing up new and experienced staff, there is a continual exchange of knowledge and experience in the shift system. New employees learn about the special features and operation of each facility in detail in the course of their training and in the years that follow. This allows us to ensure the smooth operation of our facilities – and keep important knowledge within the company.

We have been using the electronic training system SAM provided by Secova for years for the training and education of our employees. In 2022, the number of training courses Group-wide (number of employees multiplied by training courses assigned) was reduced as a result of a unified revision to a total of 23,840 (previous year: 28,241 training courses). In 2022, 922 of our employees (previous year: 1,019) out of a total of 145 departments (previous year: 142) took part in the online training courses, reaching 99.8% of the target number of total training courses (previous year: 95.7%) with 23,803 courses carried out. In total, training amounted to approximately 4,617 hours of training (previous year: 5,675), or just under 5 hours per employee (previous year: 5 hours and 34 minutes). The content of the training courses is assigned individually so that the topics cover the individual work fields and traditional jobs at our sites as well as more general topics such as environmental protection, health care and social and cross-cultural skills. We placed particular emphasis in 2022 on training options related to governance and compliance. More than 2,600 training courses and thus over 10% were dedicated to these topics.

New content can be added to the training system, depending on the specific needs of the individual subsidiaries or departments. The extent of training presented here does not, however, provide a full picture of our training activities. With the help of the training management information system (SMIS database), we document not only the SAM training activities in the Group, but also the training courses on

various process instructions of our process units and legally required instruction on hazardous substances. Such instruction is to be given orally in accordance with the Hazardous Substances Ordinance (GefStoffV), but it is also recorded in SMIS afterward.

## Occupational Health and Safety

Protecting the health of our employees is firmly anchored in the Group's corporate policy. Motivated, qualified and, above all, healthy colleagues at all levels and in all Group companies contribute to the success of the company. This principle is part of our integrated management system. Its components – primarily the safety and risk management system – regulate how we define processes to uphold health and occupational safety within the Group and monitor their effectiveness.

The major legal regulations that govern the actions of our German Group companies as binding guidelines include the requirements of ISO 45001 on occupational health and safety, the law on company physicians, safety engineers and other specialists for occupational safety – the German Occupational Safety Act (ASiG) for short – and the German Social Accident Insurance Regulation 2 (DGUV V2). The organization of appointed officers ensures adherence to these and monitoring of the relevant processes, training on this matter and reporting to the executive level responsible.

Throughout the Group, the implementation of the corporate policy is carried out through observance and implementation of local laws and regulations.

In general, we act under the principle that all errors, be they accidents, damage to property or injuries, are preventable. Our goal is therefore a zero-accident approach. Events that occur nevertheless which are relevant for the health or occupational safety of our employees as recorded Group-wide according to the standardized criteria of indicators LWIF (lost workday injury frequency – number of work accidents with at least one day lost for every one million working hours) and LWIS (lost workday injury severity – number of days lost per work accident). These are then reported to Group management.

### Health Protection in a Pandemic

We want to promote the health of our workforce and maintain their performance in the long term. 2022 was, at least in part, still affected by the Covid-19 pandemic. We embraced our responsibility and duty and kept our employees informed about the latest developments and recommendations. Throughout the Group, the management levels in particular were responsible for implementing the nationally applicable rules and for ensuring the greatest possible safety.

To give the German sites as an example, this meant active implementation of the SARS-CoV-2 Health and Safety Regulation



(SARS-CoV-2-Arbeitsschutzverordnung), which has been in place since June 25, 2021, and has been extended and revised numerous times. Regularly held informational sessions on the topic were used to update the employees on implementation of the recommendations of the federal government and the Robert Koch Institute, and clear rules were defined for internal workflows. The same applied to the international sites, which informed their workforce of local laws and government recommendations and set regulations for day-to-day working based on these. From March 2022, the measures were reduced or the previously implemented measures were dropped entirely, at least at the German sites. The obligation for employers to enable working from home, for example, and the enforcement of the “3G rule” (vaccinated, recovered or tested) in the workplace were both dropped.

We did, however, maintain the concept of mobile working that had been introduced, with which we are ensuring that our employees have the most flexibility possible away from the usual workplace.

### Occupational Safety in Specialty Production Sites and Processing Plants

The two raw materials processing production sites have a special importance in terms of occupational safety in the H&R Group. In their daily work, many of our employees control, operate and maintain machinery and plants. In addition, our production and processing processes utilize various substances that must be handled with the utmost caution. Because of this, we have made occupational health and safety systematic according to ISO 45001 and certified the sites. Sources of error and risks are thus identified and can be removed or minimized. We view the certification of our occupational safety management as suitable for significantly reducing the number of work accidents and damage and for achieving our aforementioned zero-accident goal. At the same time, we fulfill the legal and regulatory requirements. With this, we not only build the trust of our employees, but we also enhance our reputation with customers, business partners and the authorities.

We comply with the additional statutory requirements stipulated in Section 2 of German Social Accident Insurance Regulation 2 (DGUV V2) and Section 5 of the Occupational Safety Act (ASiG) at both refinery sites by deploying specialists in occupational safety. Organizationally speaking, these are classified directly below the refinery management and are supported in their work by additional safety officers, who in turn are part of the previously mentioned organization of appointed officers.

Occupational health care and safety specialists provide support by taking suitable measures to prevent accidents and work-related illnesses. Our occupational health and safety regulations also promote this objective. Many of the occupational health and safety measures that we take are aimed at raising employees’ awareness of potential dangers and avoiding accidents – to protect them as well as their coworkers. Therefore, a key safety issue at all of our sites is providing continuing education to our workforce. We hold regular training sessions on topics related to safety and require all our employees to

use our web-based safety instruction system on a regular basis. The training courses are carried out either electronically through our training system SAM or in person. Completion of training is documented in the training management information system (SMIS database). Both before starting to work and at regular intervals thereafter, employees are required to attend briefings and training courses at which they are informed about possible safety risks, potential dangers, and how to properly handle hazardous materials.

Beyond this, we strive for the continual improvement of our safety performance through regular safety inspections by the safety officers and security personnel, detailed internal analyses of any loss events or claims, a special report on safety-related indicators in the categories of occupational safety and health & safety, and the active involvement of the Executive Board. Every H&R Group employee is required to diligently follow all safety rules in their own work area.

Contractors, suppliers and transport companies working for us are also included in the safety strategy. For example, anyone who has to drive on the refinery sites or move around the premises for the first time, or as a one-off, without being accompanied by an H&R employee undergoes video-based induction training in the languages most commonly used by contractors as soon as they enter the site. Completion of the induction training is recorded in a database. The selection process for our contractors and service providers is documented in the handbook for the integrated management system. For the selection, key criteria include the certification status of the potential service provider and whether certification is truly necessary for the intended service. The final selection then takes place through site-specific self-disclosure questionnaires, which also ask for the occupational safety certification SCC.

In the event of bodily injury or physical loss or damage, or an event that is relevant to business operations, the direct managers and safety managers must immediately notify the company departments that are responsible for health, safety, and environmental protection. As such, occupational health and safety focuses not only on prevention, but also and in particular on the following up of events, addressing these with a catalog of measures. This strengthens the role of the safety officer, who systematically works through all processes and their causes together with those affected and management. The employee representatives are likewise involved in these analyses. The findings are incorporated into training measures – also by including the individuals affected – and are thereby handled proactively. Group-wide, our employees are also encouraged to report close calls. Through this, we want to increase awareness of potential dangerous situations and thus prevent an event or damage from actually occurring.

## Stringent Standards for Recording Accident Statistics

Since the beginning of 2019, our accident statistics have been based on the standards of the German Society for Petroleum and Coal Science and Technology (DGMK) as a point of reference. We report the indicators LWIF (lost workday injury frequency – number of work accidents with at least one day lost for every one million working hours) and LWIS (lost workday injury severity – number of days lost per work accident). We take our own employees into account here as well as our contractors and calculate the figures throughout the Group.

For 2022, we have set the goal for ourselves of achieving an LWIF value of 1.0 Group-wide. The LWIF figure for our Group companies at the end of 2022, in contrast, was at 1.8, missing its goal as a result of five workplace accidents in February and September. The DGMK reference value of 1.0 workplace accidents was also exceeded significantly. There were a total of 106 missed days Group-wide. The severity of the incidents (LWIS) was, conversely, significantly better than the DGMK reference value (38.0) and amounted to an average of 21.2 lost days.

Occupational safety data for GAUDLITZ GmbH and its subsidiaries in the Czech Republic and China were not included in the following tables for the 2022 financial year, as the non-uniform

occupational safety guidelines for plastics processing and specialty chemicals do not permit a comparable presentation. At the same time, we will publish the occupational safety data for GAUDLITZ GmbH for 2022 for the first time as part of our segment reporting.

We currently collect the figures in Germany and the Czech Republic as absolute figures of workplace accidents, separated into accidents for which there is a reporting obligation (four days or more lost) and accidents for which there is no reporting obligation (up to three days lost) and report the accidents to the professional association. For the site in China, workplace accidents are recorded regardless of the number of days lost and are reported to the Industrial Injury Department.

We are expanding our system of more extensive training measures, regular instruction and daily rounds conducted by the individuals responsible for the site. Here, we will also be relying on our own well-trained employees to pass on to contractors their own practical knowledge of how to remain attentive and safe as they carry out their work at the respective sites. This is already paying off to some extent. The number of reported near-accidents shows an increased awareness and heightened sensitivity to danger. This makes it easier to assess dangerous situations and avoid them in the future.

### Occupational Safety at H&R's Group Companies\*

	2022	Individual targets	DGMK benchmark	2021	2020	2019
Number of occupational accidents with at least one day lost per million working hours (lost workday injury frequency; LWIF)	1.8	1.0	1.0	2.4	5.7	2.0
Number of occupational accidents with at least one day lost	5	1	1	4	4	4
Number of days lost due to accidents	106	–	–	93	26	244
Number of working days lost per occupational accident (lost workday injury severity; LWIS)	21.2	–	38.0	23.3	6.5	61.3
Number of fatal occupational accidents per million working hours	0	–	–	0	0	0

\* Not included are the sites in Malaysia and the USA, as both sites are still under construction.

### Occupational Safety at the GAUDLITZ Sites

	2022	Individual targets
Number of occupational accidents for which there is no reporting obligation with one to three days lost	1	1
Number of occupational accidents for which there is a reporting obligation with at least four days lost	5	max. 4
Number of days lost due to accidents	28	–

# INDEPENDENT ASSURANCE PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON THE NON-FINANCIAL STATEMENT 2022 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

To H&R GmbH & Co. KGaA, Hamburg

We have performed a limited assurance engagement on the non-financial report 2022 of H&R GmbH & Co. KGaA, Hamburg (the "parent company") for the period from 1 January 2022 to 31 December 2022 (the "consolidated non-financial statement").

The external sources of documentation or expert opinions mentioned in the consolidated non-financial statement are not subject to our assurance engagement.

## Responsibility of the Executive Directors

The executive directors of the parent company are responsible for the preparation of the consolidated non-financial statement in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy Report" of the consolidated non-financial statement.

This responsibility of the executive directors includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in the consolidated non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

The supervisory board of the parent company is responsible for monitoring the process of preparing the consolidated non-financial statement.

## Independence and Quality Assurance of the Assurance Practitioner's Firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the By-laws Regulating the Rights and Duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their Profession and the IDW Quality Assurance Standard issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QMS 1 (9.2022)) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

## Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the consolidated non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB.

This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the group's consolidated non-financial statement, other than the external sources of documentation or expert opinions mentioned in the consolidated non-financial statement, are not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in the consolidated non-financial statement by the executive directors.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the group's sustainability organisation
- Inquiries of relevant employees involved in the preparation of the consolidated non-financial statement about the preparation process, and about disclosures in the consolidated non-financial statement
- Assessment of the processes for identifying, processing and monitoring the information, including the consolidation of data
- Identification of likely risks of material misstatement in the consolidated non-financial statement
- Analytical procedures on selected disclosures in the consolidated non-financial statement
- Inspection and examination of selected documents (audit evidence) supporting the disclosures in the consolidated non-financial statement

- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the consolidated non-financial statement
- Evaluation of the process to identify the taxonomy eligible and taxonomy aligned activities and the corresponding disclosures in the consolidated non-financial statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the imminent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

## Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the group for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in the consolidated non-financial statement by the executive directors.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the consolidated non-financial statement.

## Restriction of Use / General Engagement Terms / Liability / Exclusion of Liability in Relation to Third Parties

We draw attention to the fact that the assurance engagement was conducted for the parent company's purposes and that the report is intended solely to inform the parent company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the parent company alone.

We issue this report based on the engagement concluded with the parent company, which, also with effect towards third parties, is based on the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017.

In accordance with section 9 para. 2 of these General Engagement Terms, our liability for an individual case of damages caused by negligence, with the exception of damages resulting from injury to life, body or health, as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [“Produkthaftungsgesetz”: German Product Liability Act] is limited to EUR 4 million. The limitation of liability applies to all addressees or third parties (the “recipients”) who receive our report as intended. These recipients are joint creditors in the sense of § 428 BGB [“Bürgerliches Gesetzbuch”: German Civil Code] and the maximum liability amount of EUR 4 million per claim is only available once to all recipients together.

We do not assume any liability, responsibility or other obligations towards other third parties.

Düsseldorf, 28 April 2023

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Wirtschaftsprüfungsgesellschaft

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# DISCLAIMER

## Forward-looking statements

This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond H&R GmbH & Co. KGaA's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these or other risks and uncertainties occur or if the assumptions underlying any of these statements prove incorrect, the actual results may be materially different from those expressed or implied by such statements.

H&R GmbH & Co. KGaA does not intend to or assume any separate obligation to update forward-looking statements to reflect events or developments occurring after the date of this report.

This English version of the sustainability report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.



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