



Sustainability Report

of H&R GmbH & Co. KGaA

2023

H&R IN FIGURES, 2023

↗ SALES
€1,352.3 MILLION

↗ EBITDA
€92.7 MILLION

1,704

↗ EMPLOYEES

THE H&R GROUP IN FIGURES

IN € MILLION	2023	2022	Change (absolute)
Sales revenue	1,352.3	1,576.0	-223.7
of which Chemical-Pharmaceutical Raw Materials Refining	828.2	1,020.6	-192.4
of which Chemical-Pharmaceutical Raw Materials Sales	492.7	526.7	-34.0
of which Plastics	51.3	49.0	2.3
Reconciliation	-20.0	-20.3	0.3
Operating income (EBITDA)	92.7	124.9	-32.2
of which Chemical-Pharmaceutical Raw Materials Refining	58.1	92.7	-34.6
of which Chemical-Pharmaceutical Raw Materials Sales	31.5	33.4	-1.9
of which Plastics	4.7	5.0	-0.3
Reconciliation	-1.6	-6.2	4.6
EBIT	30.3	69.6	-39.3
Earnings before income tax	18.8	62.0	-43.2
Consolidated net income	10.6	45.4	-34.8
Consolidated income attributable to shareholders	10.6	42.7	-32.1
Consolidated income per share (undiluted, in €)	0.28	1.15	-0.87
Cash flow from operating activities	119.1	38.0	81.1
Equity ratio (in %)	50.6	49.0	1.6
Employees as of December 31 (absolute)	1,704	1,631	73

NON-FINANCIAL GROUP REPORT 2023



The following section contains our non-financial Group 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. 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 group report (NFR) of the H&R Group contains disclosures in accordance with Section 289b–e of the German Commercial Code (HGB) in conjunction with 315b–c HGB and Article 8 of the EU Taxonomy Regulation (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 Group report was audited on a voluntary basis with limited assurance in accordance with ISAE 3000 once again in 2023.

Legal Requirements and Framework

No international framework has been applied in preparing the 2023 NFR, as the H&R Group's sustainability reporting process is undergoing radical change in view of the forthcoming implementation of the CSRD Directive. Nevertheless, we have geared our 2023 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 UNGC's Ten Principles on human rights, labor conditions, environmental protection and anti-corruption, and joined this initiative in 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.

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.

For April/May 2024 we additionally initiated the performance of a new, systematic and formal materiality analysis for the Group. In the future, the results of this should enable us to meet the upcoming reporting obligations as per the Corporate Sustainability Reporting Directive (CSRD) and the

European Sustainability Reporting Standards (ESRS) as well as track our business's sustainability aspects as best we can.

H&R KGaA's Business Model and Strategy

For a detailed presentation of the mission, the markets and corporate structure, please refer to the 2023 Group management report. The same and identical scope of consolidation was also used for the preparation of the non-financial Group 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 production partnerships.

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 policy 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 our sustainability 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. They are both a major source for our reporting and the biggest lever we have to improve the environment.

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

	Germany	Group
Material topics for H&R		
Energy consumption and carbon emissions	■	■
Waste	■	–
Water and wastewater	■	–
Human resources management, employee recruitment and retention	■	■
Training and education	■	–
Occupational health and safety	■	■
Clearance and environmental compatibility	■	■
Social commitment	■	–
Respect for human rights and supplier management	■	■
Combating corruption and bribery	■	■

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 subtargets 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.

If there is not enough renewable energy available for all major industrial consumers by 2035, compensation via CO₂ 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 recycled and synthetic raw materials. We intend to produce the latter by using long-chain hydrocarbon compounds methanized from hydrogen and CO₂ in our refinery processes. We produce some of the hydrogen ourselves by means of water electrolysis with the aid of wind power/electricity, which is certified as green electricity. We source the CO₂ externally. It comes, for example, from the flue gases of thermal waste recovery plants or is created during the production of bioethanol. Either way, it does not end up in the atmosphere.

For non-fossil raw material sources, we also strive to use renewable feedstocks. These are not only bio-based feedstocks 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. Recycled raw materials, such as pyrolysis oils obtained from plastic waste or old tires, are also very important.

Swift and extensive availability of renewable raw materials will have a significant influence on how quickly our goals can be achieved.

Motivation and Monitoring

Setting and monitoring targets at the Group level is the responsibility of the Transformation Core Group. Headed by our Director of Transformation, this committee also consists of the Group's Executive Board, the Group's Chief Sustainability Officer, the higher-level management of the German production sites and senior employees from global product management. 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 Targets initiative (SBTi), which defines important frameworks for calculating and reducing emissions
- ISCC PLUS certification for renewable raw materials, a standard used in the mass balance approach, with which we wish to validate the process of transformation toward more sustainable raw materials
- The EcoVadis rating

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 environmental/social/governance (ESG) key figures in October 2022.

Our commitment goes above and beyond a mere declaration of intent. What the above initiatives have in common is that they require comprehensive data from the participating companies, evaluate this data and then make it available as a benchmark. We can already see significant improvements in some areas in the 2023 figures. In terms of our participation in EcoVadis, we have improved the volume and quality of our disclosures, moving from a bronze to a silver rating. With the CDP, we improved from a D rating in 2022 to B- for the past financial year.

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 also contains criteria to determine whether a business activity (hereafter also: activity / economic activity) can be classified as ecologically sustainable in order to assess the degree of ecological sustainability of an investment. Changes, additions and disclosure requirements were taken into account until June 2023, and the FAQs until the end of 2023.

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 – Sustainability Projects) were included to determine Taxonomy eligibility and reporting for 2023. 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 – confirmed the continued existence of the Taxonomy-eligible economic activities identified in the past. The NACE codes for classifying economic activities in the European Community were used as indicative support in this context.

There was also a reassessment of the activity descriptions falling within the scope of the regulation purpose and of the new activity descriptions on the basis of the provisions of the Commission Delegated Regulation 2023/2485 of June 27, 2023.

The FAQs of the European Commission were consulted for all reviews, to determine whether the workflows and processes practiced within the H&R Group really could be classified as economic activities.

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 Taxonomy-non-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 five 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 the 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 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").

The fourth economic activity describes the provision of leased or purchased company cars to employees, economic activity 6.5 ("Transport by motorbikes, passenger cars and light commercial vehicles").

The Group reports real estate-related key figures under 7.7 "Acquisition and ownership of buildings".

The activities under 6.5 and 7.7 were not reported last year, as it was assumed that they were not properly allocated. We have supplemented the presentation of the previous year's figures for both economic activities in our current reporting.

No (Taxonomy-eligible) turnover was incurred in financial year 2023. 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. Throughout financial year 2023, only technical optimizations were carried out that will enable regular operations and the production of corresponding e-fuels and raw waxes at the specification level. Such regular operations and therefore also economic exploitation, on the other hand, did not occur up to the end of 2023. Accordingly, no (Taxonomy-eligible) turnover was incurred in financial year 2023.

The reasoning for hydrogen electrolysis applies equally to the industrial power plant in Salzbergen, since here, too, exploitation takes place exclusively for and in the plant's own production processes.

For company cars, no turnover components relating to "goods and services", which are defined and must be reported in accordance with the Regulation, are generated either, but – in the case of a sale, for example – are recognized as extraordinary income. The same procedure applies when a building is sold.

Investments at Group level (denominator) amounted to €61.9 million in financial year 2023 (2022: €79.2 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 Commission Delegated Regulation (EU) 2021/2178 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 €57.5 million (2022: €74.0 million) for investments in property, plant and equipment, including leases and €4.4 million (2022: €5.2 million) for investments in intangible assets. It thus corresponds to the presentation in the 2023 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 2023 and have not been modified or expanded since the time of their commissioning, or at least since 2023. There were therefore no investment expenses in the 2023 financial year. The (Taxonomy-eligible) investment costs (numerator) spent on property, plant and equipment for the PtL plant amounted to nearly €0.12 million in 2023 (2022: €0.25 million). In relation to the

value of total investments, the share of Taxonomy-eligible investments for the PtL plant is 0.2% (CapEx; previous year: 0.3%). (Taxonomy-eligible) investments of €0.6 million were made for right-of-use assets for the provision of company cars (2022: €0.2 million). The share of Taxonomy-eligible investments (for leasing company cars) is therefore 1.0% (2022: 0.3%). Total capital expenditure for the acquisition and ownership of buildings amounted to €1.7 million in 2023 (2022: €1.3 million), meaning that the share of Taxonomy-eligible investments for buildings amounted to 2.8% (2022: 1.6%).

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 €21.1 million (previous year: €22.3 million). In accordance with Section 1.1.3.1, they include the values for a) third-party repairs and maintenance, b) R&D costs and c) short-term leases. The total operating costs reported comprise €18.2 million (previous year: €18.6 million) for a), €2.1 million (previous year: €2.0 million) for b) and €0.8 million (previous year: €1.7 million) for c). These values also correspond to the presentation in the consolidated financial statements of H&R GmbH & Co. KGaA for financial year 2023.

In 2023, (Taxonomy-eligible) operating costs in the amount of €0.02 million were incurred for the PtL plant (2022: €0.08 million). The economic start-up within the meaning of a sales and earnings-oriented business activity is currently still pending. Nevertheless, the share of (Taxonomy-eligible) operating costs for the PtL plant amounted to 0.1% in the year under review (2022: 0.4%). The (Taxonomy-eligible) operating costs (numerator) for the hydrogen electrolysis system amounted to €0.26 million in the past year (previous year: €0.35 million). In terms of the value of total operating costs, the share of Taxonomy-eligible operating costs is 1.2% (previous year 1.6% (OpEx)). The (Taxonomy-eligible) operating costs for the industrial power plant came to €1.75 million in the past year (2022: €1.5 million). In terms of the value of total operating costs, the share of Taxonomy-eligible operating costs is 8.3% (OpEx for 2022: 6.9%). The (Taxonomy-eligible) operating costs for company car leasing amounted to €0.26 million in the year under review (2022: €0.2 million). In terms of the value of total operating costs, the share of Taxonomy-eligible operating costs is 1.2% (2022: 0.9%). No (Taxonomy-eligible) operating costs are reported for the acquisition and ownership of buildings.

Conformity Analysis

In addition to the impact analysis, reporting companies must also determine the Taxonomy alignment of the identified Taxonomy-eligible economic activities. This involves checking whether an economic activity makes a significant contribution to at least one of the six climate goals (substantial 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 compliance with the minimum safeguards, 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. Reporting forms 2 and 3 were not presented as alignment was not achieved.

Disclosure of Taxonomy KPIs

Proportion of turnover/total turnover

	Taxonomy-aligned per goal	Taxonomy-eligible per goal
CCM	– %	– %
CCA	– %	– %
WTR	– %	– %
CE	– %	– %
PPC	– %	– %
BIO	– %	– %

CapEx proportion/total CapEx

	Taxonomy-aligned per goal	Taxonomy-eligible per goal
CCM	– %	4.0%
CCA	– %	4.0%
WTR	– %	– %
CE	– %	– %
PPC	– %	– %
BIO	– %	– %

OpEx proportion/total OpEx

	Taxonomy-aligned per goal	Taxonomy-eligible per goal
CCM	– %	10.9%
CCA	– %	10.9%
WTR	– %	– %
CE	– %	– %
PPC	– %	– %
BIO	– %	– %

Proportion of turnover from goods or services in 2023 associated with Taxonomy-aligned economic activities

2023 financial year	Year	Substantial contribution criteria										DNSH criteria (do no significant harm)							
		Code(s)	Turnover (3)	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) turnover, year N-1	Category: enabling activity
Economic activities (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Text		€ mil- lion	%	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	0		
of which enabling activities																			
of which transition activities																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0	-	-	-	-	-	-								0		
Turnover of Taxonomy-eligible activities (A.1 + A.2)		0	0	-	-	-	-	-	-								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		1,352	100																
Total (A+B)		1,352	100																

* Y – Yes, Taxonomy-eligible activity that is Taxonomy-aligned with the relevant environmental objective; N – No, Taxonomy-eligible activity that is not Taxonomy-aligned with the relevant environmental objective; N/EL – Taxonomy-non-eligible activity for the relevant environmental objective; EL – Taxonomy-eligible activity for the relevant objective.

Proportion of CapEx from goods or services in 2023 associated with Taxonomy-aligned economic activities

2023 financial year	Year	Substantial contribution criteria									DNSH criteria (do no significant harm)																	
	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) CapEx , year N-1	Category: enabling activity	Category: transition activity									
Economic activities (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)									
Text		€ mil- lion	%	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y; N; N/EL*	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T									
A. TAXONOMY-ELIGIBLE ACTIVITIES																												
A.1. Environmentally sustainable activities (Taxonomy-aligned)																												
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	–	–	–	–	–	–	–	–	–	–	–	–	–	0											
of which enabling activities																												
of which transition activities																												
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																												
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL																			
Manufacture of hydrogen-based synthetic fuels	CCM CCA 3.10	0.12	0.2	EL	EL	N/EL	N/EL	N/EL	N/EL																		0.3	
Transport by motorbikes, passenger cars and light commercial vehicles	CCM CCA 6.5	0.61	1.0	EL	EL	N/EL	N/EL	N/EL	N/EL																		0.3	
Acquisition and ownership of buildings	CCM CCA 7.7.	1.72	2.8	EL	EL	N/EL	N/EL	N/EL	N/EL																		1.8	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2.45	4.0	EL	EL	N/EL	N/EL	N/EL	N/EL																		2.4	
CapEx of Taxonomy-eligible activities (A.1 + A.2)		2.45	4.0	4.0	4.0	0	0	0	0											2.4								
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																												
CapEx of Taxonomy-non-eligible activities (B)		59.45	96.0																									
Total (A+B)		61.90	100																									

* Y – Yes, Taxonomy-eligible activity that is Taxonomy-aligned with the relevant environmental objective; N – No, Taxonomy-eligible activity that is not Taxonomy-aligned with the relevant environmental objective; N/EL – Taxonomy-non-eligible activity for the relevant environmental objective; EL – Taxonomy-eligible activity for the relevant objective.

Proportion of OpEx from goods or services in 2023 associated with Taxonomy-aligned economic activities

2023 financial year	Year	Substantial contribution criteria										DNSH criteria (do no significant harm)									
		Category: transition activity (20)	Category: enabling activity (19)	Proportion of Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) OpEx , year N-1 (18)	Minimum safeguards (17)	Biodiversity (16)	Circular economy (15)	Pollution (14)	Water (13)	Climate change adaptation (12)	Climate change mitigation (11)	Biodiversity (10)	Circular economy (9)	Pollution (8)	Water (7)	Climate change adaptation (6)	Climate change mitigation (5)	Proportion of OpEx (4)	Absolute OpEx (3)	Code(s) (2)	
Economic activities (1)																					
Text																			€ mil- lion		
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			0		
of which enabling activities																					
of which transition activities																					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Manufacture of hydrogen-based synthetic fuels	CCM CCA 3.10	0.02	0.1	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL										1.6	
Manufacture of hydrogen	CCM CCA 3.10	0.26	1.2	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL										0.3	
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM CCA 4.30	1.75	8.3	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL										6.9	
Transport by motorbikes, passenger cars and light commercial vehicles	CCM CCA 6.5	0.26	1.2	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL										0.9	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2.29	10.9	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL										9.7	
OpEx of Taxonomy-eligible activities (A.1 + A.2)		2.29	10.9	10.9	10.9	0	0	0	0	0										9.7	

Proportion of OpEx from goods or services in 2023 associated with Taxonomy-aligned economic activities

[illegible]

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
	Fossil gas related activities	
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 4: Taxonomy-eligible but not Taxonomy-aligned economic activities (OpEx)

Row	Economic activities	Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation		Climate change adaptation	
		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	1.75	8.3	1.75	8.3	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.	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	0.54	2.6	0.54	2.6	0	0
8.	Total amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activities in the denominator of the applicable KPI	2.29	10.9	2.29	10.9	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	0	0
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.	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	0	0
8.	Total amount and proportion of Taxonomy-non-eligible economic activities in the denominator of the applicable KPI	18.81	100.0

Material Risks

In order to comply with Section 289c in conjunction with Section 315c 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 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 financial year 2023, we did not identify any risks that are considered to be very likely to materialize and could have a serious negative impact on environmental, employee, social, human rights and corruption/bribery aspects.

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 enhances the reputation of the Group, but also ensures 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 of 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 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. If a customer 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 called the Transformation Core Group – including the Chief Sustainability Officer, who is responsible for technological sustainability projects, the higher-level refinery management and representatives from global product management – supports this process. The Group's Executive Board is also directly involved in overseeing the operations of the Group. Together, they select interim goals 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 of 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.

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 and, at the turn of the year 2022/2023, modified the weightings of these aspects in view of an update to the materiality analysis to be carried out in 2024 and more professional stakeholder dialogue. In the interests of further developing the sustainability management system, the internal skills were expanded to encompass additional ESG key figures and the system for recording them was adapted to the new reporting obligations with the support of the materiality analysis. In its future reporting, the Group will therefore be able to draw on a materiality analysis which directly and uniformly incorporates internal and external stakeholders.

The material topics we have previously identified 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, our Code of Conduct, our corporate policy and a separate Code of Conduct for Suppliers 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 where necessary.

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 traders based in Europe and Switzerland via whom we source feedstocks from 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 communicate the H&R Group-wide Code of Conduct to 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, protection of human rights and employees; and the quest to improve quality of life for present and future generations alike.

Compliance with this Code of Conduct is also an integral part of the supplier selection and evaluation process at the H&R Group, as is compliance with the Code of Conduct for Suppliers. We have set ourselves the goal to have no breaches of this within the twelve-month period of a financial year.

If we discover any breaches of the Codes 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 currently purchase our feedstocks from Ireland and the Netherlands via the same traders that we have worked with for years. As such, a supplier audit was, in our opinion, not necessary in 2023.

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

Combating Corruption and Bribery

The H&R Group has set itself the goal of being seen as up-standing 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 a year for students in our specialty areas (chemistry, engineering) as part of the Deutschlandstipendium scholarship of the University of Hamburg. We most recently renewed our commitment for the winter semester 2023/2024 and have pledged our support for a total of six scholarships.

The H&R Group is also involved ad hoc in sport 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 feedstocks. Rather than striving for 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 specialty production sites in Hamburg and Salzbögen in a climate-friendly manner as the core of our Group-wide business.

We strive to achieve a 70% proportion of core products from sustainable raw materials Group-wide by 2030. We want to achieve carbon-neutral production by 2035. To this end, we are focusing on more efficient plant configuration and

an expansion of our CO₂ feedstock processing technology projects, the use of renewable energy, for which we expect a larger share of the overall electricity mix and thus sufficient availability for major industrial customers and – if necessary – compensation via offsetting measures, such as CO₂ certificates. First defined as goals at the Annual Shareholders' Meeting of the Group parent company H&R GmbH & Co. KGaA, we continued to uphold these goals in 2023 in spite of the ongoing changes in the supply of available feedstocks as a consequence of the war in Ukraine.

Group-wide, our production and processing sites are certified in line with ISO standards 9001 (quality) and 14001 (environment). Our production sites in Germany 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 carbon 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 setup – 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.

Sites with ISO 14001 certification record environmental aspects and the impact of our activities on the environment in a site-specific overview. 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 conserving resources:

- 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 chemical 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 feedstocks based on fossil sources such as crude oil. Since non-fossil carbon sources such as biomass or removing CO₂ 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 production sites 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.

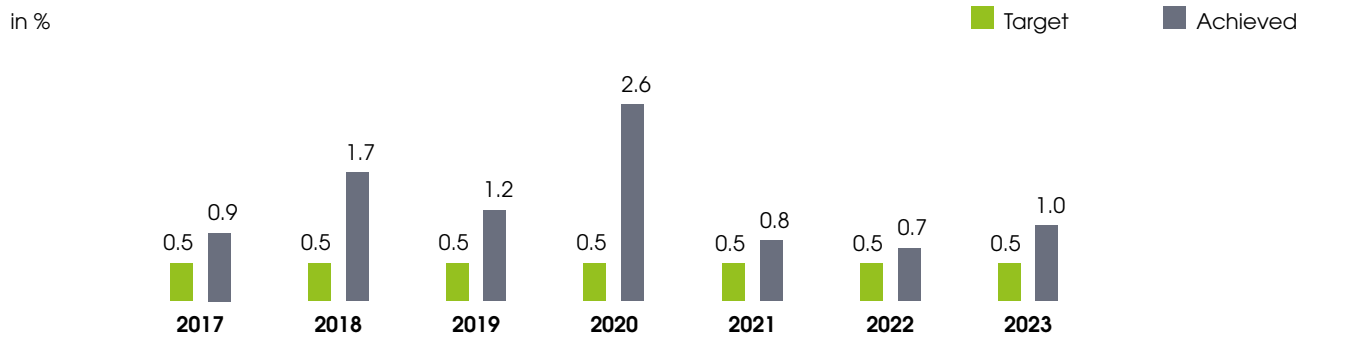
By doing so, we not only want to improve our own carbon footprint but also to help achieve the climate protection goals called for by the federal government and the Paris Agreement. With this in mind, we have established an energy management system pursuant to the ISO 50001 standard at our refinery sites 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 2023, these measures included the procurement of various new heat exchangers, cleaning shutdowns at our processing plants, the automation of mixing processes in product containers, the replacement of lighting systems with LED lamps and the replacement of inefficient equipment with more efficient technology. In particular, an intensive functional check and the replacement of defective steam traps led to savings on our steam energy source in 2023.

The overall savings achieved through this are not inconsiderable. In the 2023 financial year alone, they amounted to 16,430 MWh (2022: 11,902 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 2023 with savings of 0.96% (previous year: 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 2025. 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 carbon emissions. 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 the spring of 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), if the latter are available to us. All emissions are recorded as absolute values. These figures are, in part, already published in the context of our participation in the EcoVadis and CDP initiatives mentioned above.

At the same time, we intend to record emissions Group-wide in the future, too, and will expand our “CO₂ in kg/ton of feedstock” emissions indicator, which shows the emissions of our German production sites, 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 (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 setups, 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 financial year 2023, the emissions per ton of feedstock that resulted from raw materials processing and production at our refinery sites amounted to 401.3 kg. The figure for the past financial year was therefore 11.6% higher than the 2011 benchmark (359.6 kg) and above the previous year’s comparative figure.

Carbon Emissions of the H&R Refineries

in kg/t of use

Reference value



At the same time, however, carbon emissions have fallen in absolute terms since 2011. Viewed over the past 13 years, both refineries of the H&R Group show an approximately 9.7% 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.

Since 2022, our production has been characterized among other things by our transition to feedstocks of non-Russian origin. This has a fundamental impact on operating factors such as the throughput of the plants and the output structure, and also involves higher carbon emissions. The volume of feedstocks processed at the two production sites and the products produced on the basis of these was lower in 2023 than in the previous year. The relative deterioration in the reported key figures is also attributable to this.

The electricity required to produce hydrogen comes from the energy grid. While 51.8% of the electricity mix consisted of renewable energies in 2023 according to the Federal Environment Agency, the share of fossil fuels for industrial electricity consumers was significantly higher. However, 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 CO₂eq/t H₂) over a comparable value for fossil fuels of 94 g CO₂ 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 waste volume listed in the following refers solely to our two production sites in Germany.

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 Germany’s Act to Promote Circular Economy and Safeguard the Environmentally Compatible Management of Waste (Circular Economy 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 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.

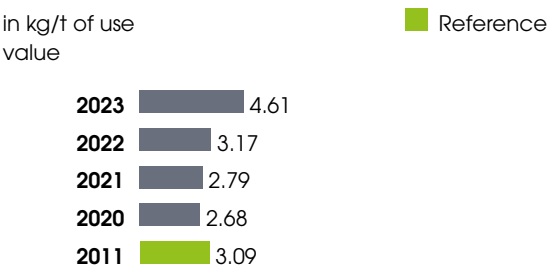
In addition, the waste officer informs Group employees on matters of waste management, using the waste handbook or disposal plan created individually for each location. The officers report on their activities, and this report is then provided to the Executive Board.

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 the 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, we did not succeed in reducing the amount of waste we produced in 2023 compared to the benchmark year of 2011 (3.09 kg/ton of feedstock). In the past financial

year, at 4.61 kg, we generated more waste per ton of feedstock than in the previous year. As is also the case with the other key figures, this higher volume is attributable in part to the lower volume of raw materials used and therefore to the reference value. On the other hand, the fact that additional tanks were cleaned at both German production sites also had an effect. Here, volumes of sludge tend to occur which are not suitable for reuse or conventional disposal and which require special, professional disposal. Due to a lack of disposal capacities in the previous year, these measures were not completed in 2022 as planned, but were extended to 2023, resulting in a significant increase in waste volumes.

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.

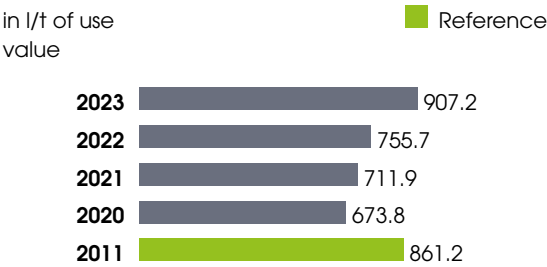
The legal framework for water withdrawal and return is laid out in Section 65 of the Federal Water Act (WHG) as well as the Ordinance on Installations for Handling Substances Hazardous to Water (AwSV). The most important measure for organizational monitoring here is also the organization of appointed officers, for which the on-site water protection officer monitors the operational processes that are material for water management 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 management, using the electronic instruction system SAM.

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

After deducting the amount of rain falling on generally sealed surfaces (roads, access routes, parking space), which is also added to the wastewater but is not included in the wastewater balance, we drained off a total of 907.2 l of domestic or process wastewater per ton of feedstock in 2023. We were therefore approximately 5.3% above the 2011 reference value (861.2 l) and also comfortably surpassed the previous year's figure. This was due to two factors. On the one hand, there was a significant increase in the number of heavy rain events in 2023, with water volumes falling on our processing facilities and tank fields. In contrast to generally sealed surfaces, these were drained using the special detention and catch basins, and the volumes therefore counted as wastewater. Additionally, the volume and size of such collecting areas have increased due to the enactment of environmental legislation in 2023.

Wastewater Generated by the 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 and petrochemical industries. These are processes for distillation, extraction, deparaffination, hydration, formulation and filling. 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 officers 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 regularly inform the management about their activities.

For 2023, 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-liquid plant, add new technologies to the plant setup.

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.

Feedstocks, 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. We also 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. For example, the white oils produced at our production sites are used as components in pesticides to improve the yield of land under cultivation. Building materials made of domestic timber varieties are weatherproofed using our paraffins. Their use renders the deforestation of tropical forests unnecessary. In the automotive industry, our 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 facility, we can convert the majority of 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 roadbuilding and are sold through our NordBit joint venture with the Hamburg-based company Mabanaf. For some years now, the residues from our specialty production sites have increasingly also been used by other refinery operators as raw material known as cracker feed. For 2023, the share of co-products which could be sold in higher-quality applications was at over 95%. As we would like to be able to completely avoid combustion products, we are expanding our sales measures in the area of cracker/coker feed. We anticipate a further reduction through the transformation of feedstock use as there is likely to be less need overall for the processing of fossil feedstocks as a result of the increased use of renewable and synthesized feedstocks.

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 CO₂ and green hydrogen, we are aiming to transform the chemical industry and convert our product portfolio to synthesized, bio-based or renewable qualities. Internal project

names such as CO₂NVERSION 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 qualifications of our employees are 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 company'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 had no bearing on the employees' interactions in 2023, we maintained the option of work-from-home conditions and corresponding offerings for maximum flexibility. Many people made use of this offer for remote working in 2023 as well.

The increased 2023 employee headcount illustrates that the H&R Group again recruited new members of staff in the specialist areas needed in 2023. 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 of achievement of this goal is the turnover rate, which we ascertain Group-wide.

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.

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 2023, the number of people employed by the H&R Group increased to 1,704. This figure differs from the presentation in the annual financial statements by 5 individuals due to a correction made when preparing the non-financial Group report. The following table shows a breakdown by division:

Employees by Division

	2023	2022	2021
Employees	1,704	1,631	1,585
of which ChemPharm*	1,286	1,253	1,193
of which Plastics	345	309	317
Other	73	69	75
Personnel expenses in € million	102.8	99.6	99.2

* Refining and Sales segments combined

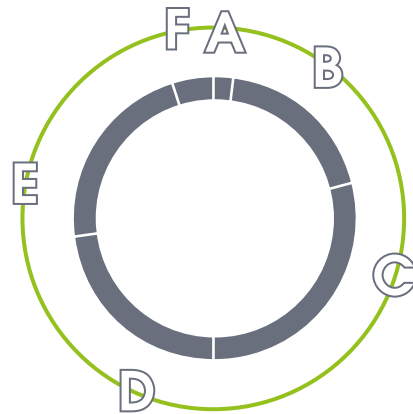
A large number of our employees work at the German production sites in Hamburg and Salzbergen in the ChemPharm Refining segment (742 people; December 31, 2022: 728). At the international processing and sales sites of the ChemPharm Sales segment, a total of 544 workers were employed (December 31, 2022: 525). A total of 345 people are employed in the Plastics segment, operated by the Group subsidiary GAUDLITZ GmbH with locations in Coburg, Dačice (Czech Republic) and Wuxi (China) (December 31, 2022: 309).

Group-wide, the proportion of female employees was at 29%. It therefore remained exactly on a par with the previous year.

During the reporting period, the 31-to-40 age group again made up the largest percentage. We employed a total of 502 people in this age group.

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 2023, the H&R Group had 25 employees with severe disabilities (previous year: 28), accounting for 1.0% of the workforce. Of those, 16 employees were in the ChemPharm Refining segment (previous year: 17), and five in the Plastics segment, as in the previous year. A further three people worked at the international sites in the Sales segment (previous year: 6), and one at the Group's parent company H&R GmbH & Co. KGaA.

Employees Group-wide by Age



Age group	Proportion*
A Under 20	2%
B 21–30	19%
C 31–40	29%
D 41–50	23%
E 51–60	22%
F Over 60	5%

* Rounding differences may occur.

Group-wide, a total of 36 employees were on parental leave, four more than in the previous year. This again equated to 2.0% of all the employees. Of these, 13 were at the two German production sites (previous year: 8), 11 were at the international sites of the Sales segment (previous year: 14) and 12 were at the Plastics segment sites (previous year: 10).

As a company with global operations with a total of 47 subsidiaries (previous year: 48), 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 sites 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 Group's 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 258 management positions Group-wide in 2023 according to the aforementioned definition (previous year: 243), of which 57 were held by women (previous year: 51). Globally speaking, the target quota was therefore again exceeded at 22% (previous year: 21%). When viewed by segment, Refining has roughly 6% women in management at the two industrial and production sites. In the Plastics segment, there are 16%, and even 33% at the international sites of the Chemical-Pharmaceutical division. At the level of the Group's parent company, the percentage was 25% in financial year 2023.

Employee Recruitment and Retention

Both at its production and refining sites, the H&R Group relies on qualified employees to meet its economic and strategic corporate objectives. 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 well 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. Our own website provides an overview of all the vacancies and offers the applicants – directed

to hur.recruitee.com – access to an automated and efficient application process.

In the case of vacant executive positions, professional recruitment consultants assist us with the search and selection. The final decision is made in the job interviews, where 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 and the H&R Group's LinkedIn portal.

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 entitled Fit for Future 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 via the intranet. A bonus system for implemented suggestions also increases the incentive to make suggestions. A total of 119 suggestions were put forward in 2023, of which 21 had been realized by the end of the year. This equates to a proportion of 17.7%.

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 or leaving the company for other reasons are not counted. Our employees are very committed to the H&R Group. This is evidenced in particular by the generally low staff turnover rate of just 2.3% at the German chemical-pharmaceutical production sites of the Refining segment (2022: 0.4%). In spite of the increase – which is above all an expression of a greater willingness to change jobs following the Covid-19 pandemic – the figure was well below the national average, which was permanently around the 30% mark, with minor differences in the range of 1–2% depending on the calculation method used.

In the Sales segment, which comprises the overseas sales and processing sites, the quota for 2023 was reduced at 5.0% (2022: 9.0%). In the Plastics segment, it was 6.1% (2022: 14.9%). Overall, the Group had a lower turnover rate in the past year of 4.3% (2022: 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 2023 for the fields of chemical technicians, chemical laboratory assistants, industrial business management assistants, warehouse logistics specialists and office managers and filled as follows:

	Salzbergen target (occupied)	Hamburg target (occupied)
Chemical technicians	4 (2)	4 (2)
Chemical laboratory assistants	2 (3)	2 (2)
Warehouse logistics specialists	1 (0)	–
Office managers	1 (1)	–

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

Once again in 2023, the need for warehouse logistics specialists in Salzbergen could not be met, even though the intention of abandoning this position as announced in last year's non-financial group report was not followed through with. There was, however, such an abandonment regarding office manager positions at the Salzbergen site in 2023.

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 to be put in place. We held initial exploratory talks with representatives of the Southern African-German Chamber of Commerce, the German-African Business Association and on-site in 2022, and engaged in more in-depth talks concerning this in 2023. However, we were unable to reach agreement with the local authorities in 2023 in spite of good approaches. Nonetheless, we consider the project to be so important that it was incorporated into the Executive Board's variable remuneration as a short-term ESG component in 2023, and there are plans for this goal to be pursued in the future, too.

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 qualifications and thus the training of employees is evaluated by supervisors or the employees themselves, and 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 systematically 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. For example, we only deploy experienced employees in the measuring and control stations to monitor the processes at the production sites and to control the systems in shift management, and we assign young, new employees to work alongside them 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 instruction and further training of our employees. In 2023, the total number of training courses Group-wide (number of employees multiplied by training courses assigned) was 23,505 (previous year: 23,840 training courses). This drop in spite of higher employee numbers – a total of 1,305 employees completed the tasks provided for them in the training system in 2023, compared with 922 in 2022 – is attributable on the one hand to a streamlining of the teaching content as well as to the fact that many training courses were not held in 2023 due to a multiyear performance interval. Overall, we incorporated additional Group departments into the online training courses in 2023 (219 departments, up from 145). The total number of training courses was 95.4% achieved (previous year: 99.8%). In total, training amounted to approximately 4,177 hours of training for the Group, or around 3 hours and 12 minutes per employee (previous year: 4,617 hours). This constitutes a significant year-over-year reduction in the volume per employee and is likewise attributable to the streamlining of the teaching content.

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 intercultural skills. Again in 2023, we placed particular emphasis on training options related to governance and compliance. More than 3,642 training courses (over 15%) 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 occupational health and 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 nevertheless occur that are relevant to the occupational health or safety of our employees are recorded Group-wide according to the standardized criteria of the indicators LWIF (lost workday injury frequency – number of workplace 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.

Occupational Safety at Specialty Production Sites and Processing Plants

The two feedstock 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 equipment. In addition, in our production and processing activities we 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 workplace 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 online 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 and 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 case of a relevant event, for example, involving 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 near misses. 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 Sustainable Energy Carriers, Mobility and Carbon Cycles (DGMK) as a point of reference. We report the indicators LTIF (lost time injury frequency – number of workplace accidents with at least one day lost for every one million working hours) and LWIS (lost workday injury severity – number of days lost per workplace accident). We take our own employees into account here as well as our contractors and calculate the figures throughout the Group.

For 2023, we set ourselves the target of achieving an LTIF value of 1.0 Group-wide. However, the LTIF figure for our Group companies at the end of 2023 was 2.5, meaning the target was missed due to seven workplace accidents in total Group-wide. The DGMK reference value of 1.0 workplace accidents was also exceeded significantly. There was a total of 279 lost days Group-wide. In addition, the severity of the accidents (LWIS) increased significantly due to one accident alone with 139 lost days, taking the average number of lost days to 39.9.

Occupational safety data for GAUDLITZ GmbH and its subsidiaries in the Czech Republic and China feature separately in the following tables for financial year 2023 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 2023 as part of our Plastics 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 in Coburg to the German social accident insurance institution for the energy, textile, electrical and media products sectors (BG ETEM) as well as to the external safety officers there and globally. Evaluations are performed at regular occupational safety committee meetings with the aim of continuously improving occupational safety. 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 misses 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

	2023	Own targets	DGMK benchmarks	2022	2021	2020
Number of workplace accidents with at least one day lost per million working hours (lost workday injury frequency; LWIF)	2.3	1.0	1.0	1.8	2.4	5.7
Number of workplace accidents with at least one day lost	7	1	1	5	4	4
Number of days lost due to accidents	279	–	–	106	93	26
Number of working days lost per workplace accident (lost workday injury severity; LWIS)	39.9	38.0	38.0	21.2	23.3	6.5
Number of fatal workplace accidents per million working hours	0	–	–	0	0	0

Occupational Safety at the GAUDLITZ Sites

	2023	Own targets
Number of workplace accidents for which there is no reporting obligation with one to three days lost	0	0
Number of workplace accidents for which there is a reporting obligation with at least four days lost	5	5
Number of days lost due to accidents	194	–
Number of workdays lost per workplace accident (as above: lost workday injury severity; LWIS)	38.8	–

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON THE NON-FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 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 (hereinafter the "company"), for the period January 1, 2022, to December 31, 2022 (hereinafter the "non-financial Group report"). The external sources of documentation or expert opinions mentioned in the non-financial Group report are not subject to our assurance engagement.

Responsibility of the Legal Representatives

The company's legal representatives are responsible for the preparation of the non-financial Group report in accordance with Sections 315b, 315c in conjunction with 289b to 289e of the German Commercial Code (HGB) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020, on establishing a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter 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 the non-financial Group report.

This responsibility of the company's legal representatives 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. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial Group report that is free from material misstatement, whether due to fraud (manipulation of the non-financial Group report) 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. The legal representatives have therefore disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in the non-Financial Group report. They are

responsible for the reasonableness 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 is responsible for overseeing the process of preparing the non-financial Group report.

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.

As an audit firm, we apply the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QMS 1) (9.2022). We have complied with the professional responsibilities according to Germany's Public Accountant Act (WPO) and the German Professional Charter for Professional Accountants in Public Practice (BS WP/vBP), including independence requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a limited assurance opinion of the non-financial Group report 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 in such a way that we can assess with limited assurance whether any matters came to our attention which cause us to believe that the company's non-financial Group report, other than the external sources of documentation or expert opinions mentioned in the non-financial Group

report, was not prepared in all material respects in accordance with Sections 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 of the legal representatives disclosed in the non-financial Group report.

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. Selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

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

- Gaining an understanding of the structure of the Group's sustainability organization
- Survey of selected employees involved in data collection and preparation of the non-financial Group report regarding the preparation process and disclosures in the non-financial Group report
- Assessment of the processes for identifying, processing and monitoring the disclosures, including the consolidation of data
- Identification of probable risks of material misstatement in the non-financial Group report
- Analytical assessment of selected disclosures in the non-financial Group report
- Inspection and examination of selected documents (assurance engagement evidence) that support the disclosures in the non-financial Group report
- Comparison of selected disclosures with the corresponding data in the consolidated financial statements and the Group management report
- Evaluation of the presentation of the disclosures in the non-financial Group report
- Evaluation of the process to identify Taxonomy-eligible and Taxonomy-aligned economic activities and the corresponding disclosures in the non-financial Group report

In determining the disclosures as per Article 8 of the EU Taxonomy Regulation, the legal representatives are required to interpret indeterminate legal terms. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation and accordingly our assurance engagement are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention which causes us to believe that the company's non-financial Group report for the period January 1, 2022, to December 31, 2022, was not prepared in all material respects in accordance with Sections 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 of the legal representatives disclosed in the non-financial Group report.

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

Restriction of Use and Limitation of Liability

Please note that the assurance engagement was conducted for the company's purposes and that the report is intended solely to inform the company about the result of the assurance engagement. Consequently, it may not be suitable for any purpose other 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 vis-à-vis the company alone.

We issue this report based on the engagement concluded with the company, which, also with effect vis-à-vis 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, paragraph 2 of these General Engagement Terms, our liability for an individual case of damages caused by negligence is limited to €4 million, except for 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 Section 341 of Germany's Product Liability Act (ProdHaftG). This limitation of liability applies to all addressees or third parties (hereinafter the "recipients") who receive our report as intended. These recipients are joint obligees within the meaning of Section 428 of the German Civil Code (BGB) and the maximum liability amount of €4 million per claim is only available once to all recipients together.

We do not assume liability, responsibility or any other obligations vis-à-vis other third parties.

Düsseldorf, April 28, 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Eric Pritsch	Dr. Claudia Schrimpf-Dörjes
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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 or assume any obligation to update any forward-looking statements to reflect events or circumstances 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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