



# **Sustainability** Report **2023**

**BÆRLOCHER**





# Sustainability Report 2023

# Management foreword

Dear Readers,

We first reported to you about sustainability at Baerlocher GmbH in 2022.

Two years ago, we saw our already volatile economic environment significantly exacerbated by the outbreak of war in Ukraine, with its massive impact on supply chains, financial markets and, of course, people.

In order to help the Ukrainian population directly, we contributed with donations in kind and support for aid consignments and small-scale projects on the ground.

Even if the direct impacts in areas such as energy supply are no longer as dominant in 2024, achieving the necessary growth profitably and sustainably has been and will remain a major challenge.

We celebrated our 200th anniversary in 2023 and look forward to continuing our company's successful history. Paving the way for the future, we have initiated and implemented a number of changes:

- Marking a generational shift on the Advisory Board, Dr. Michael Rosenthal has handed over the chairmanship to Dr. Tobias Rosenthal.
- A new laboratory for special additives has been built and taken into operation at our Lingen plant. Products developed here are based on sustainable raw materials and contribute to the circular economy.
- Medium to long-term strategies developed for both business units also include a carbon reduction roadmap. The first major step is the installation of a solar farm at Lingen. Further energy improvements are ongoing.



We are part of the global Baerlocher Group and will do our part towards achieving the overarching goal of climate neutrality (in Scopes 1, 2 and 3) by 2045.

As a family business, we are conscious of our responsibility to customers and employees and aim to continuously improve our value chain footprint across all dimensions of sustainability. We see our efforts confirmed in the recent EcoVadis “Gold” rating with a score that ranks us among the top 5% of companies worldwide.

In this report, we would like to brief you in detail on our current status, progress and priorities.

For the Advisory Board



**Dr. Tobias Rosenthal**

For the Management of Baerlocher GmbH



**Arne Schulle**

CEO Baerlocher Group



**Dr. Erik Bingel**

CFO Baerlocher Group



**Dr. Thomas Doege**

Managing Director Baerlocher GmbH

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# 1. About this report

This report serves to inform stakeholders – such as customers, employees, suppliers and local residents – about the Company’s sustainability performance, and to promote dialogue. We aim to set a standard for internal and external communication and lay the basis for continuous improvement.

## **Report content**

The report format is based on the Chemie<sup>3</sup> guidance document on sustainability reporting for medium-sized companies in the chemical industry (Chemie3 Leitfaden zur Nachhaltigkeitsberichterstattung, Version 2.0). It is based on the German Sustainability Code (DNK) and the Global Reporting Initiative (GRI). The content and structure of the report are aligned to the three dimensions of sustainability: economic, environmental and social sustainability.

## **Reporting period and scope**

The Sustainability Report 2023 relates to the 2023 reporting year and covers the period from January 1 to December 31, 2023. Relevant prior-year figures from 2019 and 2022 are included for comparability with the presented indicators. Unless otherwise specified, the facts, figures and other information reported here relate to the sites in Lingen and Unterschleissheim, Germany. There were no significant changes in the size, structure or ownership of the Company during the reporting year.

## **Data collection and comparability**

In the case of indicators for which no trend can yet be stated, we plan to present trend information in future years. Data collection on some items only began in recent years. Past figures may have to be corrected in isolated instances due to new calculation bases, improvements in data quality or updated information. Figures may not sum to totals due to rounding.

## 2. Overview of Baerlocher GmbH

The Baerlocher Group of Companies is one of the world's leading suppliers of additives for the plastics industry, with a strong focus on PVC. Baerlocher has extensive technology and market knowledge drawn from 200 years of company history.

Additives play a crucial role in determining processing properties as well as product quality and

character. Baerlocher offers a broad range of additives for polymers suitable for various industries. Baerlocher is your global partner in Ca-based solutions and metal soaps. By developing and supplying innovative additives, Baerlocher enables the plastics industry worldwide to manufacture high-quality and sustainable products.



the perfect match



### 3. Sustainability at Baerlocher

Sustainability is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is subdivided into the three categories of environmental, social and governance (ESG).

Our prime focus here as a manufacturer is on resource-efficient production and using the optimum product for each application. Long-term partnerships with all stakeholders along the value chain enable us to support our customers in meeting their sustainability promise.

As a family business focused on the long term, we embrace and contribute proactively to the transformation towards the circular economy. Continuously reducing emissions from our products and production is a key priority, and we create transparency on our production carbon footprint as the foundation for further, science-based improvement.

Our value system is well illustrated by the three categories of sustainability.

As part of the global plastics industry, we embrace our responsibility to change. Industrial manufacture inevitably involves resource consumption. Improving this resource use and making the best and most sustainable possible use of the unique properties of each material are key challenges for the future.

By integrating innovative and sustainable products and services in partnerships along the value chain, we work at Baerlocher to accelerate our industry’s transformation towards the circular economy. We disclose our progress and communicate proactively for this purpose with our internal and external stakeholders.

We have obtained certification according to the industry-specific VinylPlus Supplier Certificate (VSC) standard. This gives our customers assurance that they can rely on Baerlocher not only for consistently high product quality, but also for high standards of sustainability.

	Environment	Social	Governance
Respect	<ul style="list-style-type: none"> <li>– We care for the environment and protect natural resources.</li> </ul>	<ul style="list-style-type: none"> <li>– We treat everyone equally and embrace diversity.</li> <li>– We value individual abilities and skills.</li> </ul>	<ul style="list-style-type: none"> <li>– We respect the laws and judicial rulings of all countries we operate in and we adhere to our own policies.</li> <li>– We embrace all conventions and practices that are consistent with our values.</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>– We keep our promises.</li> </ul>	<ul style="list-style-type: none"> <li>– We are fair and open to all.</li> </ul>	<ul style="list-style-type: none"> <li>– We support everyone in doing the right thing.</li> </ul>
Excellence	<ul style="list-style-type: none"> <li>– We pursue innovative solutions.</li> </ul>	<ul style="list-style-type: none"> <li>– We pool our capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>– We do not compromise on quality and safety.</li> </ul>



### Sustainability timeline

Following the introduction of our environmental management system, we have held ISO 14001 certification since 1999. ISO 50001 certification followed with the introduction of the energy management system at Baerlocher GmbH in 2013. Continuous process improvement has been integral to our activities ever since.

In 2000, Baerlocher GmbH actively contributed to the Vinyl 2010 voluntary commitment by the PVC industry for the substitution of lead-based stabilizer systems. Baerlocher GmbH finally discontinued the use of lead in 2015.

The Baerlocher resin stabilization technology developed in 2016 provides effective restabilization of reprocessed polyolefins. This makes it possible to upcycle waste packaging in demanding applications.

Since 2023, we have offered the polyolefin industry oleochemical alternatives to PFAS-based polymer processing aids for film and pipe applications.

In 2019, Baerlocher GmbH became one of what are now over 130,000 companies that have their sustainability management rated annually by EcoVadis. We are rated in the categories of environment, labour and human rights, ethics and sustainable procurement. In our latest rating, we received a gold medal for the first time and achieved a score of 74.

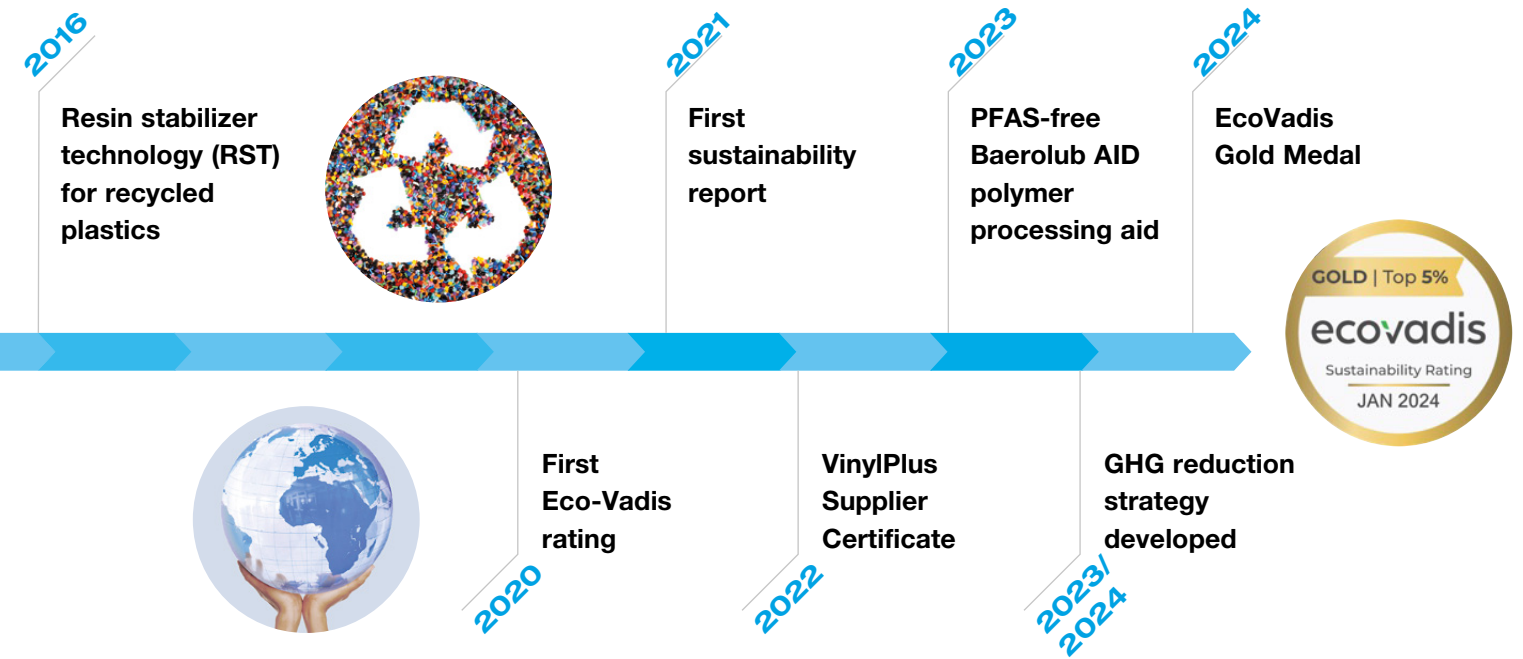
This places Baerlocher GmbH among the top 5% companies worldwide. (Link: [Certificate](#))

The credit lines granted by two house banks are ESG-linked. This means they are linked to our sustainability targets and are conditional on our progress towards these targets in a positive and negative bonus system.

In the reporting year, KfW rated Baerlocher GmbH as an “innovative company” for the purposes of investment loans.

### How we integrate sustainability into our business

From more than three decades of intensive work with industry associations on the topic of sustainability, we have learned that credibility and trust come from clearly defined targets and, above all, consistent target implementation and communication. Our primary goal is therefore to create internal and external transparency and to achieve long-term improvement through ambitious but achievable targets. We specify targets using existing industry-specific methodologies, some of which we have developed jointly over the past decades as part of VinylPlus, alongside general guidelines from initiatives of VCI, the German Chemical Industry Association. Baerlocher has adopted the principles of the VCI Responsible Care initiative as its own guiding principles.



Management attaches fundamental importance to safety and the protection of people and the environment. These principles are the basis for our strategic corporate goals and guide us in our day-to-day business decisions.

One focal area consists of identifying the main drivers of our carbon footprint, setting ambitious, realistic targets and measuring and improving the footprint of our production and products in a science-based approach. Sustainability considerations play a key role in the selection of our raw materials. Upon customer request, our palm oil-based raw materials are certified in accordance with the Roundtable on Sustainable Palm Oil (RSPO) supply chain standards for palm oil products for the production and sale of fatty acids and metal soaps.

A greenhouse gas reduction strategy was developed in 2023. In addition to emissions at the Lingen and Unterschleissheim sites, this also covers emissions in the supply chain. The strategy is based on the Science Based Targets and is thus consistent with the 1.5 degree target in the Paris Climate Agreement. It provides the basis for the further development of our sustainability strategy. A market-based PVC and SPA strategy was adopted in the reporting year.

This already incorporates individual elements of the GHG reduction strategy, such as the installation of a ground-mounted solar farm and the transition to a lower-carbon product portfolio.

The success of our transformation depends on internal as well as external communication. Our aim is to fully integrate sustainability into our business activities. To this end, we are developing a communication and participation strategy. We are providing additional staff resources to ensure the successful implementation of our sustainability strategy. From 2024, we will have a sustainability officer. To further the technological development of our sustainable product portfolio, we are planning to create an innovation project management position. In addition, we are going to deploy an additional resource for digitalisation and the use of AI in connection with sustainability performance indicators.

### Goals

Baerlocher aims to be the preferred partner for sustainable development in plastics. Based on our long corporate tradition, we see it as our responsibility not only to facilitate technological change in our industry, but to actively shape that change with new, environment-friendly solutions. This report serves to provide the basis for future communication of individual initiatives and continuous improvement while presenting our progress to employees and outside stakeholders. For this purpose, we specify meaningful quantitative targets and transparently communicate progress towards them.

### **Codes of ethics and conduct**

Responsible conduct towards all stakeholders in society is a central component of our corporate values and culture, as reflected in our Code of Ethics and the values described there (Respect, Integrity, and Excellence). Our Code of Conduct describes what we mean by those values and how we apply them in our work. The Code of Conduct is our universal guide to conduct and the basis of our business practices. It is implemented in practice under local responsibility taking into account local cultural and economic conditions.

Central elements of our value-based compliance system comprise regular training and external audits (together with internal audits on implementation of the rules). We have also established internal control procedures and a reporting system for violations. The effectiveness of these control mechanisms is reviewed on a regular basis. Similarly, the effectiveness of environmental measures is routinely verified by the authorities in on-site inspections. These take place several times a year under the Industrial Emissions Directive (Directive 2010/75/EU). Inspections in the reporting period did not find any shortcomings or discrepancies.

### **Initiatives**

As a long-term partner to industry, Baerlocher makes a substantial contribution in both local and global industry associations towards science-based analysis of our industry's environmental impact and the adoption of suitable measures for improvement.

As one of the key players in the PVC industry and an innovation leader in additives, Baerlocher actively supports the goals of VinylPlus. Baerlocher was a founding member of the former Vinyl2010 programme.

Baerlocher is on the VinylPlus Steering Board and supports various working groups that actively shape the future of the sustainability programme for the PVC industry.

### **Communication**

In the past, Baerlocher has primarily communicated its efforts and activities towards sustainability in industry associations and towards customers and suppliers. With this report, we lay the basis for communication toward a broader public. We obtain outside input both from NGOs in the context of VinylPlus and increasingly also from additional external experts and partners. In this connection, we work both with established players and with young tech startups. We also maintain close exchange with all stakeholders along the value chain in order to identify problems at an early stage and develop new solutions.

### **Enhanced internal control system**

The Baerlocher Group regularly conducts internal audits. Internal audits at Baerlocher have the purpose of providing independent, objective auditing and consulting directed at adding value and improving Baerlocher's business operations. The task of the internal audit function is to enhance and safeguard the value of the Company by providing risk-based and objective assurance, advice and insight to the Advisory Board, the Group CEO and Group CFO, and the Baerlocher Group as a whole. Baerlocher's internal audit function helps Baerlocher companies achieve their goals by applying a systematic, disciplined approach to assessing and improving the effectiveness of governance, risk management and control processes. Company audits are carried out by external auditors. The Head of Corporate Accounting is also the coordinator of the internal audit department.

In 2021/2022, the Legal and Compliance department at Baerlocher revised the Company's established compliance management system and implemented a new Code of Conduct.

In its Code of Conduct, Baerlocher lays down clear guidelines for law-abiding conduct and compliance with high ethical standards. The Code of Conduct contains clear stipulations on respecting human rights, as described in the following excerpt:

*"Baerlocher is committed to supporting and advancing human rights in all communities where we operate. We oppose child and slave labor, and we treat everyone with dignity and respect. We also encourage our contractors and suppliers to respect and advance human rights. We prefer to work with those who share and actively support the Company's values."*

We aim to provide all employees with annual training on the Code of Conduct. This target was achieved in 2023.

In addition to the comprehensive Code of Conduct, additional guidelines have been implemented in the Group on specific topics such as anti-bribery, anti-corruption and anti-trust compliance.

The compliance management system is supported by a web-based whistleblowing system that enables employees and outside parties to raise concerns – anonymously if desired – and to bring attention to circumstances that may be indicative of a violation of the law or internal company guidelines. The web-based system thus supersedes Baerlocher's previous internal reporting systems. Any indications of potential violations are investigated and action taken as appropriate if grounds for suspicion or violations are identified. No violations were reported for Baerlocher GmbH via the web-based system in 2023.

In addition, sales-related employees are provided with regular online training on antitrust law.

### **Tax Compliance Management System**

The Baerlocher Group started to implement a Tax Compliance Management System (Tax CMS) on a voluntary basis in 2021 and brought it into full effect in 2022. As a first step, a tax compliance framework was adopted for the Group in connection with the Baerlocher Group Code of Conduct.

This document sets out the basic approach for addressing and meeting tax obligations within the Baerlocher Group. Each company in the Baerlocher Group must ensure that it fully meets its tax obligations in accordance with prevailing legal requirements. In particular, the Baerlocher Group undertakes to comply with all applicable tax laws, rules and regulations without exception. The aim is not to achieve a tax position that results in the minimum short-term taxable income within the Baerlocher Group, but one that is in line with our clearly defined value system set out in the Baerlocher Group's Code of Conduct and that ensures long-term sustainability and continuity. The tax compliance framework is observed alongside general compliance requirements and provides the guiding principles for the tax CMS. It forms part of the Baerlocher Group's general internal control system (ICS) and risk management. In addition, it lays down specific stipulations in terms of the principles to be adhered to under locally adopted tax compliance guidelines. The Baerlocher GmbH tax policy also entered into force in 2022.

## 4. Performance data

### 4.1 Commercial and products focal area

Our company was once again confronted in 2023 with political tensions, inflationary pressure and persistently high energy and commodity prices. Sales volumes were down in both of our business units, PVC and SPA. The main reason for this was the downtrend in the European market. In fact, sales volumes in both business units in 2023 were below their pre-crisis level from 2019.

Performance indicators	Unit	2019	2020	2021	2022	2023
Products sold	t	74,047	68,208	90,692	76,323	59,656

In the Special Purpose Additives (SPA) business unit, the new research laboratory in Lingen opened and became fully operational in 2023.

SPA development activities focus on the polymer, building industry and lubricant sectors and aim to provide our customers with sustainable, resource-conserving solutions. In PVC, research and development work was carried out on approaches for reprocessing and additivation of post-consumer waste.

Following the design for circularity principle, we specifically take care not to use any materials that could interfere with recycling. Close coordination between Development and the Product Safety and Chemicals Management function helps us to take account of possible regulatory restrictions as early as possible. For post-consumer PVC processing, additive packages are being developed that allow a polymer to be reused in equivalent applications, thus preventing downcycling. In parallel, work continues on taking our laboratory-developed process for removing lead stabilizers from post-consumer PVC to industrial scale.

PVC additives are tied to PVC products and their life cycle. From the point when they are incorporated into PVC, the life cycle of additives can no longer be separately tracked.

SPA products are generally added in very small amounts (<1%) to the various end products, such as polymers. Here, too, the life cycle of the additives cannot always be tracked separately from the point of incorporation into an end product. Fatty acids and metal soaps are the basis for the majority of our additives.

Production of our fatty acids is mainly based on category 3 animal fats. These come from by-products of food production, thus enabling these to be put to sustainable use. In the area of plant-based additives, we also promote sales of RSPO MB-based products.

With our additives for recycled plastics, we help our customers to ensure that their products can be returned to the product cycle.

To further reduce the environmental impact of our products, we conduct regular reviews to determine whether it is possible to substitute hazardous substances contained in them. We also continuously review and optimize processes for efficiency and output. Waste is avoided as far as possible by targeted reprocessing and optimized process control.

With the development of environmentally friendly polymer processing aids for polyolefin applications, Baerlocher offers its customers alternatives to replace PFAS additives.

In the interests of our customers and the environment, we aim to further increase the proportion of regenerative resources in our products. Our customers are already able to select reusable forms of packaging in order to improve their own contribution to sustainability.

#### **4.1.1 Commercial and products focal area: outlook**

A key objective for the Baerlocher Group is to further expand our recycling-related activities, enabling customers to continuously increase the proportion of recycled material and to utilize recycled material for high-quality applications. We aim to further improve our ecological footprint by streamlining internal processes, in the selection of raw materials and by optimizing our formulations and logistics processes in accordance with sustainability criteria. Our clear-cut goal is to be our customers' go-to partner with regard to sustainable development.

We regard digitalization as an enabler of our business strategy. Increasing efficiency and automation, and the associated reductions in resource consumption, are therefore also a central component of our digitalization strategy. Among our initiatives in 2023, we successfully completed the global rollout of a standardized customer relationship management solution.

## **4.2 Supply chain focal area**

In view of the resource intensity of its business, an important area of focus for Baerlocher GmbH is its supplier base. To maintain our high standards, we target long-term relationships with established partners. The regional focus of procurement is on Europe and Asia. A wide variety of legal and qualitative aspects are covered in due diligence prior to entering into a business relationship. This ensures us a stable supplier base. For freight transport, we always seek an appropriate balance between time, cost and environmental considerations.

Legal requirements such as REACH are an integral part of supplier approval. Our processes are set up in such a way that all legal aspects are checked in advance. All suppliers are asked to state their existing certifications (DIN ISO 9001, ISO 14001, ISO 45001 or ISO 50001). Other potentially relevant standards are ISO 22000, RSPO and HACCP. All orders are based on our Business Partner Policy. This lists the main sustainability categories. It describes our requirements and expectations for suppliers and places them under obligation to comply. Additional topics covered include employment rights, human rights, environmental protection and ethics.

As part of its voluntary implementation of the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz), Baerlocher GmbH revised its internal structures and processes in the course of 2023 to meet the requirements of responsible supply chain management.

We maintain close contact with suppliers. As well as holding regular discussions with suppliers, we also carry out supplier visits and audits. Along with the ISO standards, topics addressed here also include sustainability matters.



Performance indicators	Unit	2019	2020	2021	2022	2023
Number of raw material suppliers	Number	185	185	181	144	153
Number of raw material suppliers assessed	Number	66	60	65	68	70
Number of suppliers with EcoVadis rating	Number	-	-	37	78	78
Number of suppliers with EcoVadis rating	%	-	-	56.9	54.2	51
Percentage of raw material volume covered by ISO certification	%					
– ISO 9001/ISO 22000				78.5	100	100
– ISO 14001				65.5	66.7	62.7
– Operational safety and health management system/ISO 45001				69.2	36.1	33.3

Since 2021, we have also tracked our suppliers' EcoVadis ratings.

We have approximately 500 engineering suppliers and 153 raw material suppliers. Approx. 51% of raw material suppliers were assessed by EcoVadis in the reporting year.

For the prevention of antitrust violations, all procurement employees are trained in antitrust law. Procurement heads also gain RSPO certification.

For the purposes of continuous improvement, we have set the following targets for sustainable procurement:

- In accordance with the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichten-gesetz), the main suppliers are audited at all national companies.
- All Baerlocher GmbH buyers are to be familiarized with and trained in the new Business Partner Policy.
- The main raw material suppliers have been asked whether they are rated by EcoVadis and what score they have achieved. New suppliers are asked regarding EcoVadis. Target: increase in the percentage of certified suppliers.

#### RSPO certification

With regard to palm oil, which is one of our natural raw materials, we have applied sustainability principles since 2015 and, upon customer request, demonstrate this with our RSPO-SCCS certification for the production of metal soaps and stearic acids on the basis of the mass balance (MB) model. RSPO certification is an outcome of a WWF initiative. The aim of the Roundtable on Sustainable Palm Oil (RSPO) is to promote the cultivation and use of sustainably produced palm oil. Its members include environmental organizations, companies and institutions along the length of the sustainable palm oil value chain – from plantation operators and traders to individual users of palm oil such as Baerlocher (Link: [RSPO-certificate](#)).

#### 4.2.1 Supply chain focal area: outlook

We are currently seeing a large number of initiatives in the area of sustainable procurement. These range from the sectoral (VinylPlus) to the national level (the German Supply Chain Act) and on to European level (the EU Taxonomy) and even global initiatives (EcoVadis). We are working to translate these initiatives into action and integrate them into the supply chain. In order to continuously improve the data quality of the product carbon footprints, supplier-specific emission factor data is being requested from more and more suppliers.



## 4.3 Environmental protection focal area

In order to comply with legal requirements and to continuously improve quality, environmental protection, safety and energy efficiency, Baerlocher GmbH has developed robust, certified management systems over the years and combined them into an integrated management system. We regard the legal requirements and standards as a minimum baseline that we aim to exceed with our own targets and initiatives. Management has committed to maintaining and continuously improving the integrated management system. The following standards, as amended, are included in the management system:

- Safety management in accordance with the German Federal Pollution Control Act (BImSchG) and Hazardous Incidents Ordinance (Störfallverordnung)
- [ISO 9001 Quality Management](#)
- [ISO 14001 Environmental management](#)
- [ISO 50001 Energy management](#)

Our internal occupational health and safety management system is based on ISO 45001. HACCP management in accordance with Regulation (EC) No 852/2004 is implemented for selected product lines. Participation in RSPO supply chain certification enables us to demonstrate our commitment and contribution to the use of sustainable palm oil when requested by customers. Sustainability is also demonstrated by our membership of the RAL Quality Association for Candles. The associated requirements for quality assurance of stearic acids are met in accordance with RAL-GZ 041.

A sustainability policy was added to our management policy in 2021. It applies to all employees of Baerlocher GmbH, including both in-house and field employees. In addition, it includes all process at the Unterschleissheim and Lingen sites as well as outsourced processes.

It also contains a range of commitments as a framework for all employees and suppliers to ensure that their decisions and activities for Baerlocher GmbH, now and in the future, are in the interests of society and the environment and in line with our strategic orientation.

### 4.3.1 Material use

We use a wide range of raw materials and other material inputs in the manufacture of our products and the operation of our plants. As these can include chemicals that have a classification in relation to human health and/or the environment, we handle all raw materials, consumables and supplies with special care. Through a comprehensive raw material approval process, we ensure compliance with all chemical regulatory requirements (including REACH, CLP and hazardous goods legislation). In the case of hazardous substances, we exceed legal requirements and have incorporated criteria into the approval process to enhance employee safety and reduce environmental impacts. Wherever possible, we seek to replace raw materials that have human health or environmental classifications with lower-classification or unclassified alternatives. For example, we ceased to use any lead-containing materials many years ago – before this was a legal requirement – and in products subject to new authorisation we do not use any raw materials that have acutely toxic, ozone-depleting, reprotoxic or a wide range of other questionable properties. Products that we manufacture or subcontract in Germany do not contain any tin, tantalum, tungsten or gold.

The quantity of raw materials and other material inputs used decreased in the reporting year due to the reduction in orders.

<b>Raw materials and other material inputs</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Total raw materials and other material inputs	t	180,286	168,455	226,204	174,950	133,943
Of which raw materials	t	62,422	66,187	90,244	74,115	57,169
Of which intermediate products	t	117,296	101,604	134,854	99,760	75,423
Of which finished products	t	568	664	1,106	1,075	1,351
Renewable raw materials/other material inputs	%	65.55	55.43	60.04	58.04	57.18
Secondary raw materials	%	0.43	0.50	0.58	0.73	0.71

Of the approximately 60,000 tonnes of raw material inputs, somewhat more than half is made up of renewable raw materials. Raw materials are processed in some cases through multiple production stages to intermediate products and, where applicable, finished products. The use of raw materials and intermediate products varies according to the finished materials produced. Surplus quantities of finished materials are also utilized by individually incorporating them in the production process.

### **Packaging**

We offer to supply customers using various reusable packaging systems. Granules, pastilles and pure metal soaps in the form of powder can be supplied in silo trucks. We can additionally supply granulates and pastilles in interchangeable silos and steel containers that we collect from customers after delivery. This service is available in Germany and surrounding regions.

### **4.3.2 Energy use**

The manufacture of our products requires the direct or indirect use of energy in the form of electricity, gas, heating oil and heat energy.

A goal of energy management at Baerlocher GmbH is to identify all energy consumers at both sites and to make energy use measurable and reduce it.

### **Response to the natural gas shortage**

In response to the Russian war of aggression against Ukraine, the resulting sanctions against Russia and the ensuing natural gas shortage, Baerlocher investigated alternatives to natural gas in 2022. Baerlocher decided to convert the steam generators to a dual-burner configuration so that both natural gas and heating oil can be used as fuels. The steam generator in stearic acid production was fitted with a multiple burner that can run on natural gas, heating oil and low/precut, a by-product of our stearic acid plant.

### **In-house generation and energy conversion systems**

Baerlocher GmbH has operated a highly efficient combined heat and power (CHP) unit to generate electrical energy and heat at its plant in Lingen since 2014.

The CHP unit operates in electricity load following mode and is fired with natural gas. Heat from the exhaust is used to generate steam in a waste heat boiler. Residual heat from the exhaust and the engine cooling circuit is transferred to the heating circuit by a thermal transfer heat exchanger. The heated water is used both to supply an absorption chiller and to raise the temperature in the hot water system return line. In addition, heat is supplied to production processes.

The boiler houses also contain gas-fired and heating oil-fired steam boiler plants – to generate process steam, heating steam and hot water – and two thermal oil plants.

Waste heat is recovered by the absorption chiller and the air preheaters for the steam generators. The air preheaters enhance the efficiency of the steam generators.

Compressed air for operating processes is centrally generated by several compressors.

The compressed air network includes two compressed air tanks to handle consumption peaks. Compressed air for instruments, flaps and cleaning of filter elements is taken from the compressed air network. Conveying air for pneumatic conveying is generated in separate blower stations within each plant. The compressor station has been modernized in the last three years and is state of the art.

**Our energy use at both sites breaks down as follows:**

<b>Energy consumption and energy mix: Lingen</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fuel consumption from crude oil and petroleum products	MWh	–	–	–	19	20,790
Fuel consumption from natural gas	MWh	93,687	91,010	104,113	92,334	44,799
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	3,058	1,998	2,902	–	6,726
<b>Total fossil energy consumption</b>	MWh	96,745	93,008	107,015	92,353	72,315
Share of fossil sources in total energy consumption	%	100	100	100	97	100
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	–	–	–	2,561	–
<b>Total renewable energy consumption</b>	MWh	0	0	0	2,561	0
Share of renewable sources in total energy consumption	%	0	0	0	3	0
<b>Total energy consumption:</b>	MWh	96,745	93,008	107,015	94,914	72,315

<b>Energy consumption and energy mix: Unterschleissheim</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fuel consumption from crude oil and petroleum products	MWh	–	–	–	–	–
Fuel consumption from natural gas	MWh	–	–	–	–	–
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	972	944	975	302	523
<b>Total fossil energy consumption</b>	MWh	972	944	975	302	523
Share of fossil sources in total energy consumption	%	60	55	50	20	61
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	640	786	990	1,187	331
<b>Total renewable energy consumption</b>	MWh	640	786	990	1,187	331
Share of renewable sources in total energy consumption	%	40	45	50	80	39
<b>Total energy consumption</b>	MWh	1,612	1,730	1,965	1,490	855

One aspect that stands out is the lower consumption at our administrative site in Unterschleissheim near Munich. This reflects the relocation of our laboratory from Unterschleissheim to our sites in Turkey and Lingen. The now offices-only building in Unterschleissheim has no primary energy consumption. Electricity and heat are purchased from external providers. District heating is used to heat buildings and for heating restroom and process water. In 2023, 57% of the district heating was generated and supplied by geothermal energy, with the

remainder provided by a boiler plant (gas and oil). For the previous years, the share of geothermal heat was reported as 72%.

No electricity is generated from proprietary renewable energy sources at the Baerlocher GmbH sites in Unterschleissheim or in Lingen.

The absolute figure for energy consumption was down on the previous year in each of 2022 and 2023. In addition to implemented energy efficiency measures, this is primarily due to low production capacity utilization.

To conserve resources and continuously reduce energy consumption, Baerlocher GmbH has set a strategic goal for 2030 of reducing specific energy consumption across all energy sources by an average of 1.3% per year relative to the 2018/2019 baseline.

Specifically, this means:

Electrical energy consumption

Unterschleissheim -11,1 % by 2030

Energy consumption Lingen -11,1 % by 2030

The goal of keeping specific energy use below the strategic target was achieved at both Lingen and Unterschleissheim in 2023.

The figure for Unterschleissheim measures electricity consumption per unit building floor area. District heating use is metered and assessed but is not included in the energy management target. This is because district heating is only needed to heat buildings and service water and is therefore only dependent on the number of heating days. As the headquarters building and heating control system are state of the art, no measures have been identified to reduce district heating use.

The first step towards achieving the targets is to identify the main consumers. This is a key part of energy management. In order to take action, we need to know which processes are the most energy-intensive. We track and analyze the energy consumption of individual processes using an energy management system. Our analyses showed the production of stearic acid to be the main consumer at Baerlocher GmbH. In addition, we carry out annual energy audits in accordance with DIN EN ISO 50001 to identify potential energy savings. Identification is followed by idea gathering, identification of options and project planning to save energy.

Implementation of any project requires the approval of the energy team leader in the form of change requests. This ensures that energy management is involved in all projects.

### **Energy management measures**

In the reporting year, various energy-efficiency projects were implemented and analyses were carried out for continued project planning.

Cooling water optimization: Analysis of the production processes for the ECO product revealed large variation in cooling times due to the lack of a closed-loop control system for the cooling water. The cooling water is sourced from cooling towers. The cooling water control system and cooling water network at the Lingen plant are being optimized to increase the efficiency of the production process through consistent cooling times.

Compressed air station heat recovery: The three air compressors have been equipped with a heat recovery system. Heat was not previously recovered. The resulting hot water is to be initially used to relieve the two gas heating systems at the gas transfer station.

In the introduction of new processes, activities, technologies and plant, a key focus is always on safety and resource use. Existing processes and activities are subject to constant control and continuous improvement by the members of the energy team. Our energy team works in various different working groups. There are working groups for production, heating/cooling, compressed air, electricity, data acquisition and training. In 2022, the working group on training held a series of workshops on energy efficiency with employees from metal soap production. This workshop series was continued in 2023 and 2024 with employees from stearic acid production.

The first workshop series resulted in 66 new energy-saving ideas. Of these 13 have already been implemented, with annual savings of 82,000 kWh. Further measures are currently at the planning stage.

Employees continue to be encouraged to make use of the knowledge acquired in working for Baerlocher and in training courses on energy and the environment in order to identify and communicate opportunities for improvement in the company. Baerlocher GmbH has set up various communication channels for this purpose, including an in-house suggestion scheme, shop floor rounds and employee reviews.

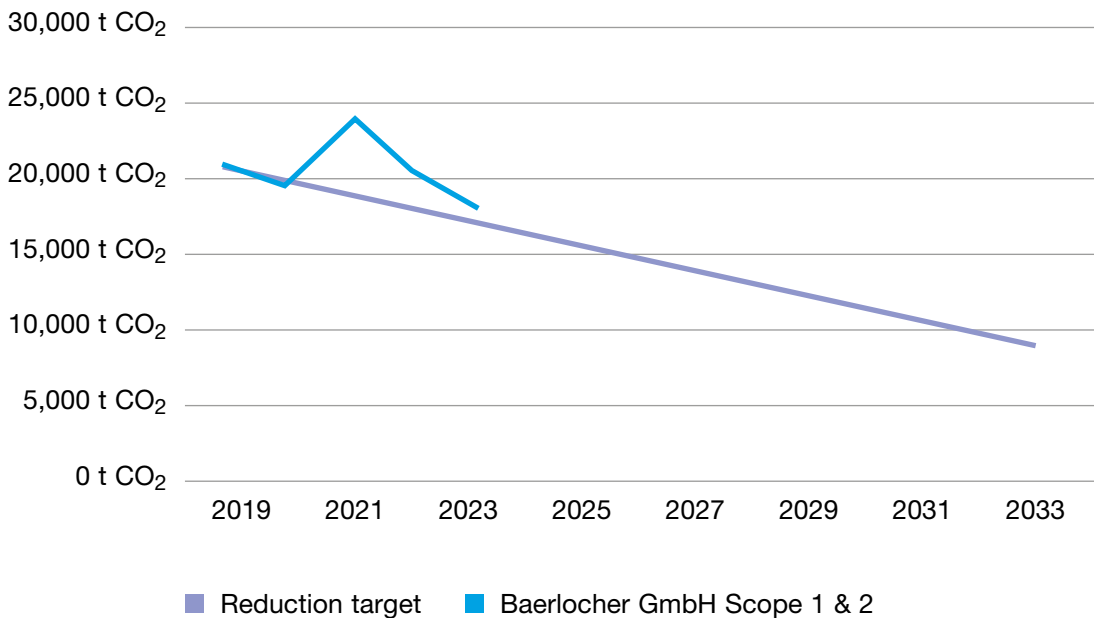
In 2023, 95.08% of all employees (in Lingen) received training on energy efficiency. The training included information on current energy figures as well as ideas for how each individual can help save energy both at Baerlocher and at home.

#### 4.3.3 Greenhouse gas emissions

Baerlocher GmbH has held ISO 14001 certification since 1999 and ISO 50001 certification since 2013. Continuous process improvement for sustainability has consequently been integral to our activities for many years. With a view to global warming, Baerlocher GmbH places increased focus on reducing greenhouse gas emissions. In 2022, a system was established to systematically determine the Scope 1 and 2 corporate carbon footprint (CCF) in accordance with the Greenhouse Gas (GHG) Protocol. The CCF states how much CO<sub>2</sub> we generate in the production of our products. Scope 1 covers direct GHG emissions, Scope 2 covers indirect emissions from purchased energy and Scope 3 covers indirect emissions along the entire value chain. Based on this, we formulated our GHG reduction strategy in 2023. This is aligned with the 1.5 °C target set in the Paris Agreement adopted at the 21st UN Climate Change Conference and meets the requirements of the Science Based Target Initiative (SBTi). These requirements currently imply annual reduction targets averaging 4.2% in Scopes 1 and 2 and 2.5% in Scope 3. Meeting those targets requires continuous measurement of greenhouse gas emissions.

Performance indicators	Unit	2019	2020	2021	2022	2023
Direct GHG emissions (Scope 1)	t CO <sub>2</sub> e	19,197	18,636	22,599	20,088	16,010
Indirect GHG emissions (Scope 2)	t CO <sub>2</sub> e	1,973	1,316	4,132	221	2,205
Total Scope 1 and 2 GHG emissions	t CO <sub>2</sub> e	21,170	19,952	26,731	20,309	18,215

CO<sub>2</sub> emissions are monitored and assessed annually. The analysis is performed in accordance with the GHG Protocol.



Direct and indirect CO<sub>2</sub> emissions increased in 2021. This was partly due to increased fuel mix disclosure by the electricity provider. In addition, there was an increase in fleet diesel consumption in Unterschleissheim, which is included in Scope 1. Because of the risk of contagion with COVID-19, business air travel (Scope 3) was avoided in favor of travel by company car. In addition, emissions increased in 2021 due to strong order book. We reduced emissions in 2022, among other things by using green electricity. Emissions fell further in 2023. This is due partly to the lower level of orders and partly to reductions in other emission factors. Our greenhouse gas reduction strategy is therefore aimed at decoupling emissions from growth. To this end, we will make use of alternative energy sources such as the electrification of heat generation using green electricity.

An initial analysis of Scope 3 emissions – indirect emissions along the value chain – was carried out for 2019.

One outcome of this analysis was that the largest share is in Scope 3.1. This means that most emissions relate to purchased raw materials. Research and development for products using alternative, lower-emission raw materials is therefore a key element of our greenhouse gas reduction strategy.

We aim to restructure our product portfolio to reduce our carbon emissions. Verifying the effectiveness of the measures taken requires continuous analysis of Scope 3 emissions and of our product carbon footprint.

Given the vast range of different raw materials and the complexity of calculating the emissions, we will use software that enables us to determine our product carbon footprint to a precise standard. One key aspect is the need to improve data quality by using supplier-specific emission factors. It is therefore critically important to work closely with our stakeholders along the entire value chain.

#### 4.3.4 Other atmospheric emissions

Baerlocher cannot completely avoid the use of environmentally relevant chemicals and substances. This makes it all the more important for us to take measures to prevent any uncontrolled release of substances and to minimize environmental impacts. As part of our environmental management system, we determine and update our material environmental topics and associated environmental risks at regular intervals. Each emission source at Baerlocher is subject to strict control to ensure compliance with statutory concentration limits. All systems and technical equipment are designed so that local pollution is prevented and emissions are controlled and released in compliance with legal requirements.

We strictly adhere to fixed inspection and maintenance schedules for all systems to ensure ongoing compliance. Dust and particulate emissions are prevented with the aid of an emissions register and continuous monitoring of all critical points. In addition, dust emissions are regularly measured externally at 27 emission sources. The 10 mg/m<sup>3</sup> concentration limit for dust emissions was complied with in the individual measurements. The exhaust gases from the steam boiler plant burners are also continuously monitored. All measuring points are sampled over a three-year period.

Where local pollution and nuisances such as dust emissions, noise and exhaust gases cannot be avoided, Baerlocher deploys new technologies and processes to achieve reductions. Atmospheric emissions are reduced by dust filter systems.

Filter monitors are used and filters are regularly checked for ruptures. Baerlocher GmbH does not engage in emissions trading. A significant proportion of the greenhouse gas emissions are caused by the steam generators and the CHP unit.

In response to the Russian war of aggression against Ukraine and the resulting natural gas shortage, Baerlocher investigated the possibility of using alternative energy sources. The steam generators and the thermal oil plant in stearic acid production were converted in 2022 and 2023 to a dual-burner configuration (gas and heating oil). The steam generator in stearic acid production has been converted to a triple burner. In addition to natural gas and heating oil, this will also be able to use a by-product from our stearic acid production as a biomass energy source. Following conversion, we complied with the limits under the German regulations on medium combustion plants (44. BImSchV). This was verified by the trade inspectorate in 2023.

Carbon monoxide emissions are measured annually on all flues, including that of the CHP unit. The performance indicator below shows the sum total across the 11 measuring points. It can vary due to the individual values.

#### Emissions (CO) from all flues (including combined heat and power unit)

Performance indicators	Unit	2019	2020	2021	2022	2023
Carbon monoxide (CO)	ppm	348	233	97	32	95



The following emissions are measured externally on an annual basis for our CHP unit.

Performance indicators	Unit	2019	2020	2022	2023	Emission limit
NOx emissions (NO <sub>2</sub> )	g/m <sup>3</sup> N, dry	0.4	0.42–0.49	0.39–0.42	0.38–0.42	0.5
SOx emissions (SO <sub>2</sub> )	g/m <sup>3</sup> N, dry	-	0–3		0–3	10
Carbon monoxide (CO)	g/m <sup>3</sup> N, dry	0	0.00–0.01	0.04–0.05	0.06–0.07	0.3
Formaldehyde (HCHO)	g/m <sup>3</sup> N, dry	24–30	11–14	22–27	22–27	30

As the measured values for the last few years including 2023 show, we comply with the applicable legal limits.

We aim at all times to avoid other emissions such as noise and accident-related pollution.

Performance indicators	Unit	2019	2020	2021	2022	2023
Noise emissions [property boundary]	dB (min-max)	52.9–64.7	54.2–65.0	–	56.7–67.1	56.7–64.6
Accident-related pollution on the plant site	Number	12	3	12	8	9

Noise emissions are measured annually at various locations on the plant site. In 2022, the limit was exceeded at one measuring point with a value of 70.3 dB(A). The limit is 70 dB(A). The cause was a technical defect that was subsequently rectified. No measurements exceeded the limit in 2023.

The above indicator covers various types of accidental spills on our premises, such as oil or grease, contaminated water or powder spills. As soon as any contamination is detected, the plant firefighting team seals off the relevant section of the sewer system to ensure that the rainwater is not contaminated. The area concerned is cleaned with binding agent and, if necessary, swilled with water. The contaminated section of the sewer system is then pumped out and the contents properly disposed of in an intermediate bulk container (IBC). There are many causes of such

contamination, including fat spills due to improperly closed truck covers or releases of powder when bulk bags tip over during transportation or loading and unloading. Such contamination incidents are analyzed as part of shop floor management and solutions discussed to reduce the number of occurrences.

#### 4.3.5 Water

Clean drinking water is becoming increasingly scarce due to climate change and the impact of industry. Our company needs water for the manufacture of our products, in the form of steam, process water and cooling water. In addition to our production operations, we use water to supply our laboratories, workshops, restrooms, office kitchens, canteen and fire department.

Much of the area of our sites also has a sealed ground surface. This prevents stormwater from percolating into the soil and groundwater.

As a municipal water user, we aim to reduce water consumption and return water to the wastewater system free of contamination. To this end, we conduct systematic and regular measurements and fully treat our process water.

Baerlocher aims not only to comply with local legal requirements, but expressly to improve the use and quality of water as a resource. We have therefore set ourselves the goal of minimizing water use in our formulations and are gradually replacing old process water and cooling water technologies with new, more efficient technologies. Water is an important criterion when it comes to erecting and modifying plants, processes and buildings.

We use municipal water, which has drinking water quality. In 2023, our total water consumption was approximately 119,000 m<sup>3</sup>.

The wastewater and surface water are discharged exclusively in accordance with the requirements of a discharge permit.

Water consumption decreased in 2023. The main water consumer is metal soap production. Baerlocher's focus here is mainly on recycling water and transferring products from wet-chemical processes to lower-consumption plants and processes.

Water balance analyses are conducted on a monthly basis to evaluate the efficiency of water use. One energy and water-intensive metal soap production plant is to be decommissioned. This will significantly reduce water consumption in the future.

Performance indicators: water	Unit	2019	2020	2021	2022	2023
Water consumption (municipal water)	m <sup>3</sup>	134,661	118,722	153,493	127,126	118,762
Proportion of service water (municipal water)	%	84.6	83.2	86.0	85.0	89.0
Proportion of drinking water (municipal water)	%	15.4	16.8	14.0	15.0	11.0
Wastewater (metal soaps plant, stearic acid plant, sanitation)	m <sup>3</sup>	94,866	77,586	99,405	79,116	75,776

### Wastewater

The decommissioning of a line in metal soap production in December 2023 eliminated the previous wastewater from the wet-chemical metal soap process.

Previously, an on-site wastewater treatment plant served to reduce pollution. The on-site wastewater purification plant operates as follows: Wastewater is fed into the plant. By controlling the pH value, zinc is precipitated in the alkaline range as zinc hydroxide.

The pre-treated wastewater then goes directly to the municipal wastewater treatment plant in Lingen.

Wastewater quality is monitored using 24-hour sampling to ensure that the wastewater discharge is in line with statutory requirements. The required parameters are analyzed in accordance with legal stipulations made in the official permit. The following parameters require monitoring under the permit: zinc, chloride, sulfate, ammonium and COD. The parameters are measured in the in-house laboratory and verified by external laboratories.

All wastewater from the Lingen plant goes for further treatment in the municipal wastewater treatment plant.

**Rainwater**

Stormwater is collected from all sealed ground surfaces in a stormwater detention basin and is not used for everyday plant operations.

As a control measure to prevent groundwater contamination, surface water is monitored by daily analysis and 24-hour continuous sampling. In addition, there are operating instructions for handling substances hazardous to water. These serve to ensure compliance with the legally stipulated parameters prior to discharge to the Dortmund-Ems Canal.

**4.3.6 Waste**

As with the use of energy, we promote resource-efficient use of all materials. From product formulation to procurement and from production to packaging and transportation, we aim to avoid excessive material use and waste. We achieve this by following the “three R’s” of the circular economy: reduce, reuse, recycle.

Our waste management strictly complies with waste legislation. All categories of waste are separately collected, stored, reused or disposed of. Baerlocher provides a sufficient quantity of suitable containers. Production waste is returned to the production process in compliance with quality requirements. We aim to further reduce waste on a continuous basis. To this end, we regularly re-examine production processes and make use of more efficient and more environment-friendly raw materials and packaging.

We create awareness through training and by applying lean management methods, including the 5S methodology and shop floor management at our production site.

**Lean management and 5S**

Lean management relates to principles and methods that help among other things to avoid waste. We apply various methodologies to make our processes more efficient and for continuous improvement. The 5S methodology is a philosophy that aims to create the ideal workplace. Its goal is to reduce waste by structured workplace organization. In addition to occupational safety and health, we attach great importance to cleanliness and orderliness in the workplace. Shop floor management is a system for management of the operations where value creation takes place. The system is characterized by the use of shop floor information boards and regular meetings around them. These meetings serve the purpose of discussing deviations from target, causes of problems and suggestions for improvements. Employees can submit suggestions for improvements and draw attention to irregularities and problems at any time using CIP cards.

Raw materials, consumables, supplies, waste and finished products are labeled, stored, transported and used in such a way that there is no risk to the environment. Baerlocher has established a wide range of instructions, procedures and measures in this regard. All Baerlocher GmbH employees are required to comply.

Performance indicator	Unit	2019	2020	2021	2022	2023
Waste/production volume	t waste/t production volume	0.034	0.030	0.026	0.027	0.019

Performance indicator	Unit	2019	2020	2021	2022	2023
Total weight of hazardous waste	t	781.66	740.24	631.58	614.69	452.92
Total weight of non-hazardous waste	t	2,513.74	2,027.94	2,527.84	2,179.94	1,109.29
Total weight of waste recovered	t	2,834.89	2,431.81	2,813.49	2,387.36	1,358.52

The waste volume includes all types of waste generated at the plant site, including production waste, packaging, etc.

Performance indicator	Unit	2019	2020	2021	2022	2023
Maximum production waste target	%	0.75	0.75	0.75	0.58	0.49
Actual production waste	%	0.78	0.81	0.55	0.49	0.48

The maximum production waste target and actual waste volume generated are based on production quantities. For this purpose, the performance indicator only includes product waste.

The waste recovery rate is 87%, including recycling and thermal recovery.

Waste is separated into fractions for more effective recycling. We currently distinguish 32 different waste categories. Waste quantity performance indicators are monitored on a daily basis in shop floor management. There is a work instruction on proper disposal of all types of waste.

#### 4.3.7 Biodiversity

Our activities at our two sites potentially have an impact on the habitats of various animal and plant species. Baerlocher GmbH has no sites in or near areas critical for biodiversity.

We nevertheless take steps on both the technical and organizational side to minimize environmental impacts caused by emissions such as noise, odors, dust, exhaust gases and environmentally hazardous substances in order to prevent threats to flora and fauna outside of our site and on our green areas. The built area accounts for 12% of the Lingen site and 28% of the Unterschleissheim site.

Performance indicator	Unit	Lingen	Unterschleissheim
Total area	m <sup>2</sup>	269,844	20,000
Sealed ground surface	m <sup>2</sup>	54,085	Approx. 9,000
Green space	m <sup>2</sup>	184,628	Approx. 11,000
Built area	m <sup>2</sup>	31,131	5,600
Built area/total area	%	12	28

#### 4.3.8 Plant and transport safety

Safety and environmental protection are just as important to us outside of our plant site as inside. We do not carry out off-site transportation ourselves. However, we demand high standards of environmental protection, safety and quality from our freight forwarders. Among other things, we require forwarders to notify us in the event of any accident or damage that has an impact on people or the environment. For on-site transportation, we rely almost exclusively on electrically powered vehicles. Freight movements and trips are to be avoided wherever possible. Among other things, this is a goal in shop floor management and the 5S methodology at our Lingen site.

No transportation accidents have been recorded in the last five years. To ensure transport safety, regular training is provided for employees responsible for securing loads and checking outbound cargo. Check lists and vehicle body testing for the securing of cargo loads serve as preventive measures.

Forwarding and logistics service providers must also recognize and countersign a requirements profile.

The total volume of chemicals transported decreased by 29% in 2023 relative to 2021 due to the lower sales volumes.

Formalized company processes such as training, instruction and advice from safety advisers ensure that packaging for hazardous materials complies with transport regulations. Employees receive online training, annual briefings – including hazardous materials training – external training on cargo securing and the CTU code, instruction in accordance with ADR/IMDG Code 1.3, training on air freight and training for safety advisers.

Loading and unloading processes are supported by a hazardous goods checklist and by process and work instructions including operating instructions for plant and equipment.

Performance indicators	Unit	2019	2020	2021	2022	2023
Transport accidents	Number	none	none	none	none	none
Of which with chemical release	Number	none	none	none	none	none

#### 4.3.9 Environmental protection focal area: outlook

Sustainability necessitates a common understanding and transparency so that clear-cut goals can be set and the measures to achieve them effectively communicated.

Based on the GHG reduction strategy, various measures will be implemented in the future to reduce GHG emissions. One such measure is the construction of a 4.4 MW ground-mounted solar farm. Efforts are also being stepped up to raise employee awareness of environmental issues.

## 4.4 Employees focal area

Our Code of Ethics consolidates acquired experience and provides guidance in addressing present and future questions. New experience may change how values are applied in practice and their relative weighting. There are certain values that we consider unchangeable and vital due to our experience. These are respect, integrity and excellence. They form the value system and define the character of the Baerlocher Group of Companies.

As a modern family business in a region with high quality of living and good infrastructure, Baerlocher offers a wide variety of additional benefits alongside attractive pay. These includes, for example, a modern workplace, flexible working hours, additional retirement provision, comp time accounts, company health management, our company restaurant, and much more besides. We support and motivate our employees with regular feedback.

### 4.4.1 Human rights at Baerlocher sites

Baerlocher respects human rights. This is enshrined in our Legal and Compliance policy, our Code of Ethics and Code of Conduct, and we expect the same standard of conduct from all stakeholders and shareholders. Our business partners are required to comply with the Business Partner Policy on the basis of our Code of Conduct.

Child and forced labor are outlawed in all of our companies. All Baerlocher employees are therefore age-screened on hiring.

We employ school students and adolescents in compliance with the law.

This means, among other things, that minors are not exposed to dangerous and physically or psychologically demanding work. We regularly take account of risks for young people in our risk assessments and ensure by means of constant supervision that minors are not able to enter hazardous areas. In total, fewer than five trainees at the Lingen site were under 18 at the reporting date. Apprenticeship training in production or logistics takes place subject to special precautions. The German Youth Employment Protection Act applies and there are elected youth and trainee representatives. Baerlocher GmbH does not have any employees under the age of 15.

### Promoting diversity, equality and inclusion

How we treat each other affects how we work. We all want and deserve a work environment where we are treated with respect. Each and every one of us is responsible for proactively contributing to the creation of such an environment, and every supervisor at Baerlocher has a special responsibility to foster a workplace that supports integrity and respect – which are key principles under our Code of Ethics – together with honesty and trust.

At Baerlocher, we value, support and respect diversity and inclusion. These are key to our success as a global company. We do not discriminate on the basis of race, ethnicity, national origin, religion, age, gender, gender identity, sexual orientation, disability, or any other characteristic protected by law.

Baerlocher GmbH maintains well-established and trusting cooperation with employee representatives at both sites, whose express purpose is to look after all employees and hence in particular those who are in need of special protection. In addition, we have set up contact points to report and take action against all forms of discrimination. These include a gender equality officer, a representative for persons with severe disabilities and the web-based whistleblower system. As an internationally operating group of companies, intercultural cooperation and diversity are firmly embedded in our values and are integral to our day-to-day activities.

Baerlocher Germany has a new German-language slogan for future employee campaigns and employer advertising. The slogan translates as “At Baerlocher, every individual is more than just one among many.” We associate this with our corporate values and the way in which the entire Baerlocher team works together with each and every individual making a key contribution. All employees receive regular online training on their rights and obligations under the German Act on Equal Treatment (AGG). In the reporting year, 95.8% of all employees took part in at least one ethics training course, such as training on the AGG.

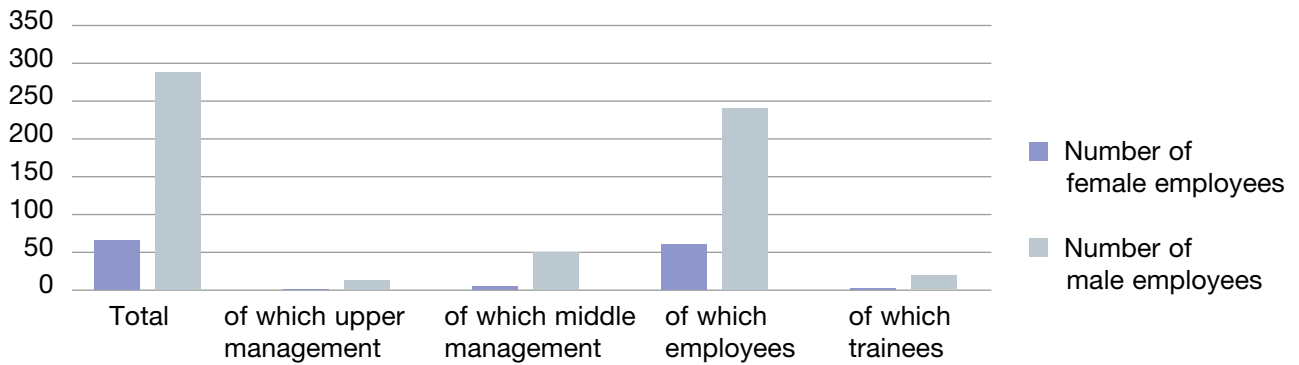
Baerlocher GmbH is proud to have recorded zero incidents of discrimination in the past year and aims to maintain this level in future years.

Discrimination	Number
Incidents of discrimination (based on ethnic origin, skin color, gender, religion, political opinion, or national or social origin)	0
Of which in process	0
Of which resolved	0

We are one of 50 companies in Germany who have adopted the slogan “Made in Germany, Made by Diversity.” This represents a clear stance in favor of greater tolerance, against xenophobia and for a Germany that is open to all.

We express this tolerance in particular through inclusion. In the reporting year, there were 15 employees with disabilities in our workforce. We would like to maintain that figure by securing jobs for people with disabilities.

Gender	female	male
Number of employees	66	287
Of which persons with disabilities	1	14



We want our employees to grow together with the Company. It is important to us for all employees to have the same opportunities regardless of gender. In 2023, the Company was headed by three male Managing Directors. In upper management, there are 13 male employees and one female employee. Five women are represented in middle management. Female employees account for 25% of the workforce.

#### 4.4.2 Employment

Baerlocher wants to offer a workplace where every employee enjoys working. To this end, we provide modern and safe workspaces, efficient and ergonomic work equipment, and measures to support physical wellbeing.

For everyone to feel that they belong, however, it is also important to foster a culture of collegiality.

Including both pay-scale and non-pay-scale employees, the percentage of female employees is approximately 23%. Baerlocher is bound by collective agreements as a whole, and 79% of employment relationships are subject to such agreements. All other employment relationships are remunerated above the pay scale.

Respect and integrity – the first two values in our Code of Ethics – are not only values shown by Baerlocher towards employees. We also expect all employees to uphold these same values towards each other.

We offer our employees flexible working hours with flextime and provide fair pay, which for all Baerlocher employees exceeds the living wage in their region of Germany.

Performance indicator	Unit	2019	2020	2021	2022	2023
Percentage of all employees paid below the living wage, including in-house employees, individual contractors and seconded employees	%	0	0	0	0	0
Percentage of in-house employees receiving less than the living wage	%	0	0	0	0	0



As a member of the German Federation of Chemical Employers' Associations (BAVC) and signatory of the Industrial Mining, Chemicals and Energy Union (IG BCE) collective agreement, we provide our employees with comprehensive additional benefits, including shift bonuses, age-related reductions in working time and a dynamic future contribution payment for additional retirement provision. The Company additionally provides vacation with continued pay, mobile working, a company pension scheme and occupational disability insurance.

In everything we do, we comply with all statutory provisions of labor law and ensure that new legal and collective bargaining requirements are promptly implemented.

We are particularly proud of being named the top apprenticeship training company in our chamber of commerce and industry region. We were able to provide high-quality training to 18 apprentices in the reporting year, out of a workforce of 333 who put in a total of some 460,000 working hours in 2023. Our average training quota is 5%. Employee numbers are stated as of the year-end.

<b>Employment and training quota</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of employees	350	350	348	343	333
Number of trainees	24	18	18	15	18
Training quota	6 %	5 %	5 %	4 %	5 %

### **Employer-employee relations**

A fundamental element is trust-based and constructive dialogue with works council committees on the Company's onward development. Regular discussions are held at various levels in order to work together in a structured manner on both current and strategic issues. This is reflected among other things in the signing and continuous updating of over 40 workplace agreements. In the reporting period, the implementation of the pay categories system continued at the Lingen plant, with the focus on pay groups and pay transparency. A workplace agreement on the basis of the Federal Collective Salary Agreement was signed between the German Federation of Chemical Employers' Associations (BAVC) and the Industrial Mining, Chemicals and Energy Union (IG BCE).

For the purpose, transparent and graded rules were developed for pay grouping in the various functional departments, strictly based on the reference examples from the union pay group schedule. In this way, the workplace parties have provided the level of transparency required to verifiably implement fair pay as an attractive employer.

A works council represents the workforce in a workplace. Our works councils have nine members at the Lingen site and five at the Unterschleissheim site. The central works council has four members. Broadly speaking, works councils have the task of safeguarding the interests of the workforce in the workplace. To this end, they are required to cooperate in a spirit of trust with the employer for the benefit of employees and of the Company, and work together with unions and employer associations.

The responsibilities of the works councils include, in particular, conducting negotiations with the employer, making proposals for the settlement of disputes and making requests to the employer for measures serving the Company and the workforce.

A wide variety of additional tasks can be divided into the following categories:

- Organizational tasks
- Monitoring tasks
- Protection tasks
- Support tasks
- Taking suggestions and complaints
- Meetings and discussions with the employer
- Supporting employees
- Shaping of working conditions
- Consultation in connection with workforce-related measures
- Consultation on business matters

Works councils are also required to monitor compliance with labor law requirements under other (general) legislation such as the German Protection of Working Mothers Act. In the reporting year, a total of 13 employees took parental leave and all returned to employment as agreed. As a family business, Baerlocher is committed to reconciling family and career. We are pleased to offer flexible working hours, parental leave and mobile working.

The large range of tasks performed by the works council is also reflected in a large number of communication channels. Works meetings and an in-house works council newsletter keep the workforce informed about important changes.

<b>Gender</b>	<b>female</b>	<b>male</b>
Number of employees	66	287
Number of employees who have taken parental leave	2	13
Number of employees who signed an agreement to return	2	13
Of which: returned to employment	2	13

### **Staff development**

The basis of our staff development measures is the annual appraisal interview between employee and supervisor. In these interviews, we review the working relationship to date and specify the relevant future responsibilities and necessary qualifications. These are jointly recorded in the employee review and form the basis for training measures that are selected together with HRM and managers.

We distinguish here between qualifications required by law, professional development and targeted staff development measures. For the managers and key talents target groups, cross-cutting packages are offered according to areas of priority. Knowledge transfer between generations is always a key accompanying factor in this connection.

In 2023, each employee had an average of 12 hours of training. This does not include free external training courses and internal qualification measures.

Performance indicator	Unit	2019	2020	2021	2022	2023
Average number of hours training per employee	h	9.5	8.3	10.4	11.9	11.8

The staff development measures are accompanied by in-house workshops, discussion rounds and training sessions. In 2023, the Meet&Lead platform was launched specifically for cross-site collaboration between managers.

This is used to provide information on relevant staff development topics at regular intervals. Specialist and company information is also shared.

#### 4.4.3 Occupational safety and health

Our labor rights and human rights commitment begins with our own employees. As well as complying with the law and collective agreements, we work constantly to improve workplace safety, ergonomics and employee health. We believe that all work-related accidents, injuries and illnesses are preventable.

To achieve this, issues of plant safety and occupational safety and health have priority over all other measures. All employees are allotted sufficient time and suitable personal protective equipment to be able to safely perform their work.

Baerlocher has had zero reportable plant incidents in the reporting year – meaning no accidents relating to plant safety – and we aim to maintain this performance in future years.

For prevention purposes, all systems are inspected annually and regularly maintained according to a maintenance schedule. Safety is further enhanced by an induction plan for new employees and annual briefings. Online training enables employees to refresh their knowledge each year with regard to safe conduct and accident avoidance. Using our near-misses and critical situations reporting system, employees are able to report situations to the occupational health and safety department before an incident occurs so that suitable action can be taken on a timely basis. We aim to ensure that both contracted and in-house employees are fully informed about the hazards in their workplaces and the safety precautions.

Performance indicators	Unit	2019	2020	2021	2022	2023
Accident rate	(Number of accidents / hours worked) × 200,000 hours worked	3.25	5.49	3.74	6.02	3.91
Lost-time injury (LTI) rate for in-house employees (number of lost time injuries x 1,000,000 / actual employee hours worked)	Absolute figure	8.12	13.71	14.95	26.1	15.21

Baerlocher GmbH's goal in occupational safety is that employees conduct themselves 100% safely and no accidents occur. Annual briefings are held to ensure that employees are aware of potential hazards and act accordingly. In 2022, there was an increase in significant lost time injuries. The accident rate and the occupational accident severity rate were reduced in 2023. After every accident, action is taken to prevent recurrence.

Safety dialogues were introduced in 2023 to improve the personal conduct and occupational safety and health awareness of all employees. In safety dialogues, safety officers visit departments outside their actual area of responsibility and conduct a discussion based on a protocol that contains key questions on occupational safety and health. The dialogues aim to assist individuals in more effectively identifying potential stressors and hazards. They are also intended to minimize "tunnel vision." Initiatives and suggestions that come up in the dialogues can be noted and passed on.

To assess occupational safety and health at regular intervals, it has been integrated into the 5S system.

Questions on occupational safety and health have been incorporated into the audits. Safety officers have also been integrated into the 5S teams and take part in the regular audits and team meetings.

An expert team consisting of employees from HRM, the works council and occupational safety and health met mid-year to assess the risk of psychological stress for employees. The team drew up a policy for all departments to be assessed on a rotating basis for psychological stress at work. The policy provides for a survey followed by a workshop to draw up an action plan. An initial survey and workshop were conducted with laboratory staff in December.

The sickness rate rose in the reporting year in line with the German average. It is continuously compared against the chemical industry benchmark and, like other companies, Baerlocher is able to confirm various trends reported by the health insurance funds. In the reporting year, for example, a greater focus was placed on return-to-work and reintegration interviews, among other things with an emphasis on psychological stress.

Performance indicators	Unit	2019	2020	2021	2022	2023
Sickness rate	%	6.64	4.65	4.92	6.37	6.90
Hours worked	h	492,350	510,465	535,000	498,175	460,168

In manufacturing our products, we work closely with customers to find the perfect product blend for their application. We also aim to optimize our products both for the benefit of our own employees' health and to protect customers' employees.

Wherever known risks could arise from our products, we provide information in personal consultations and state in REACH safety data sheets all information on hazards and on measures to reduce and avoid potential harm.

In the event of any change in product hazards based on new findings, we aim to incorporate the changes into safety data sheets as quickly as possible and communicate them to customers. We also use dissipative packaging, which minimizes the risk of dust explosions both at our production sites and on customer premises.

Due to the substances and quantities used, Baerlocher GmbH's Lingen plant is subject to the obligations under the Hazardous Incidents Ordinance (Störfallverordnung), with compliance and implementation monitored by the competent supervisory authority. The precautionary measures required for the event of an environmentally relevant incident have been put in place at the Lingen plant and are kept up to date.

Their effectiveness is verified in regular alarm drills with the participation of external fire and rescue services. Emergency response organization is based on an operational alarm and emergency response plan, safety reports, and the plant safety management system. Extensive annual on-site inspections by the Osnabrück official trade inspectorate in accordance with section 16 of the Hazardous Incidents Ordinance verify that the systems are implemented and up to date. An environmental hotline has been set up for external reports, inquiries and complaints from the neighborhood and the public with regard to environmental matters. Further information is available in a German-language flyer on the Hazardous Incidents Ordinance at the following link: [„Information für Nachbarn und Öffentlichkeit gemäß Störfallverordnung“](#)

In addition to the environmental hotline, the telephone number of the central switchboard is also publicly available. This may be used by all affected and interested parties. There is a reporting procedure for when calls are received at the gate.

### **Noise complaints**

There have been no noise complaints in recent years. The Baerlocher GmbH site is located in an industrial zone, at a large distance from any residential areas. Noise level limits at the site boundary are complied with in accordance with the German Technical Instructions on Noise (TA Lärm). Annual measurements are made by the occupational safety department. High-noise areas in the production plant are signposted. Hearing protection is provided and new measurements are taken as needed. In addition to signposting of high-noise areas and the provision of hearing protection, certain parts of the plant are enclosed with noise insulation and mufflers used to reduce noise and stress.

### **4.4.4 Attractive employer and social responsibility**

Baerlocher wants to offer a workplace where every employee enjoys working. We achieve this by means of modern workspaces, flexible working hours arrangements and proactive workplace design using lean management methods and measures to enhance physical wellbeing. As a training employer, we are regularly recognized as a "Top Trainer" by the Chamber of Industry and Commerce.

We quickly offer young team members the opportunity to take on responsibility and implement projects.

Baerlocher implements a wide range of measures to improve working conditions across the Company:

- Regular dialogues between employees and supervisors, and information events beyond the regular workplace meetings
- Active promotion of company sports activities and team sports
- Interdisciplinary project activities to promote teamwork within the Company
- Proactive mobile work arrangements
- Provision of company bicycles

- Proactive addressing of potential hazards as part of regular occupational safety committee meetings and shop floor management
- Adaptation of collective agreement provisions on comp time accounts, age-related reductions in working time, and additional leave days
- Transparency project on pay systems and signing of a framework agreement at the Lingen site
- Flexible working hours and individual solutions in special personal circumstances
- Updating of communication channels (new Baer360 intranet)
- Process digitalization and workflow automation to lighten workload
- Special bonuses/time off in lieu for overtime
- Annual leave with continued pay
- Employees are ensured a 24-hour recovery period in any seven consecutive days
- Payment of the statutory minimum wage

In order to further improve working conditions, all employees can submit improvements by using the company suggestion scheme. The purpose of the company suggestion scheme is to involve all employees in the joint quest to identify scope for improvement, leveraging the full diversity of skills and ideas in the workforce. It provides the opportunity to question the status quo and also to suggest solutions to problems outside of an employee's own work area. The company suggestion scheme aims to improve operations for the benefit of the Company and the workforce.

It is therefore an important element of the continuous improvement process (CIP).

As a mid-sized family enterprise with a clear value system, we see ourselves as having special social responsibility. Two focal topics were addressed here in the reporting period.

For the first time, we were able to support various campaigns organized by the "Dein München – No limits" initiative. An independent, non-profit social organization, this initiative promotes fair starting-out conditions for young people in Munich. In doing so, it makes a valuable contribution to a more diverse and productive community. A needs-oriented program provides all-round access to education, the arts and sport and promotes positive development pathways at key stages in life. The aim is to integrate into society disadvantaged children and young people who grow up in high-risk social and financial situations and to ensure their lasting participation. Focal areas include equal opportunities, participation and integration, imparting knowledge, skills, healthy self-esteem and positive experiences that shape people for life. Baerlocher employees have personally helped with and worked with young people on projects such as job application workshops, basketball training and futures workshops.

In response to the Russian war of aggression against Ukraine, Baerlocher and its employees committed to providing targeted support for people in need. Various team members submitted specific ideas, resulting for example in support for two large aid convoys to the region of Lingen's twin town, for the Munich children's hospice with a focus on war victims, and for refugee aid in Erding.

A particular highlight was the close cooperation with the Ukrainian fire service from the region of Lingen's twin town.

This included the provision of technical training and equipment and the transfer of an out-of-service works fire engine to Ukraine.

#### 4.4.5 Employees focal area: outlook

As an attractive employer, we will continue to take the issues involved here very seriously and address how changes in the world of work affect our organization.

The megatrends of digitalization, demographic change and decarbonization present key challenges in this regard. As a matter of course, we recognize the importance of complying with prevailing law in our in-house arrangements while proactively implementing future needs in our work culture.

Our employees are key to our corporate success and we will continue to focus closely on our team.

**At Baerlocher, every individual is more than just one among many.**



**BÆRLOCHER**





## Disclaimer

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