Outlook

The following qualitative-comparative statements are used to describe changes in results and earnings, as well as forecast ranges:

Range of the change	Qualitative-comparative statement
1–5%	slight, moderate, low
5–10%	noticeable, clear
10–20%	substantial, considerable
20–50%	significant
> 50%	sharp, steep, strong

Outlook for the BayWa Group

With its diversified business model, BayWa continues to participate in the important megatrends of food and energy security, which offer the company both short-term and long-term growth opportunities. Following the anticipated decline in earnings in the financial year 2023, which ended up being steeper than expected, BayWa expects to return to a positive development in most segments and overall in the current business period. The Group's significant debt and the resulting heavy interest burden weighed on the annual result in the financial year 2023 in particular. In line with these developments, appropriate action is being taken across the Group to optimise inventory management in all segments, thereby reducing capital commitments and thus also lightening the burden of interest in the financial year 2024. This should also bring clear improvement in the result for the year.

For the current financial year 2024, the management expects Group EBIT to see a significant improvement over the financial year 2023, with EBIT also clearly above the average for prior years.

In the energy business unit, the trend toward renewable energies continues unabated. The EBIT contribution for BayWa r.e. is thus expected to increase significantly. Project sales in the US account for a large portion of revenue. There are also plans to commit more equity capital to finance growth in the Independent Power Producer (IPP) business entity. This will be achieved by releasing capital that is currently tied up from the restructuring of BayWa r.e. subsidiaries that are not part of the core business, among other actions. The price of crude oil is expected to remain largely stable over the course of 2024, which should give rise to growth opportunities in the Energy Segment in particular through the gradual expansion of the business in climate-friendly energy sources such as wood pellets and alternative mobility solutions. In the agriculture business unit, the worldwide supply of both grain and oilseed is constrained. As a result, prices are expected to hover above average, which should bolster farmers' income while boosting demand for agricultural inputs – especially at current prices. Growth in the Cefetra Group Segment is expected to slow, with this segment earning substantially lower EBIT in 2024 as a result of the normalisation of commodities markets.

Current debate surrounding the future of agricultural subsidies could dampen enthusiasm for investment in agricultural equipment in 2024, resulting in more muted activity in this sector than has been the case in recent years. The Agricultural Equipment Segment is projected to make a significantly lower EBIT contribution as a result. The Global Produce Segment saw major adverse effects from negative weather events in the previous year, particularly Cyclone Gabrielle in New Zealand. If harvests are normal in the current financial year, marketing volumes and margins should recover, bringing a sharp upturn in income (EBIT) for this segment. The building materials business unit continues to face major challenges in the current financial year after last year's steep slump, owing to continued weakness in the construction industry. However, extensive measures to optimise processes and increase efficiency have significantly improved the cost base for 2024. As a result, EBIT is projected to improve steeply from a low base, even as it remains well below average. The Building Materials Segment is also continuing its transformation from a pure product trader to a provider of efficient all-in-one solutions and services.

The key financial target of the BayWa Group is to generate sustainable operating earnings (EBIT) in the range of €470 million to €520 million by the end of 2026. BayWa had previously set this span as its target for 2025. The massive weakness across the construction industry was a key factor in moving this objective back by one year.

This forecast is based on the expectation that extreme weather events and geopolitical uncertainties, such as the war against Ukraine and the Middle East conflict, will not lead to fresh distortions or disruptions in supply chains or the markets for raw materials and agricultural products.

Outlook for the Renewable Energies Segment

The Renewable Energies Segment will continue on its growth course in the international markets in 2024. Plans for the financial year 2024 call for external sales of projects and project rights in the areas of solar and wind energy and for the transfer of commissioned power plants with total output of 2.5 gigawatts (GW) to the Independent Power Producer (IPP) business entity.

New projects with a volume of approximately 0.3 GW are to be implemented in the Wind Projects business entity in the financial year 2024. The majority of them will be realised in Europe – especially in the national markets in the UK, Germany and Austria – followed by the US and the Asia-Pacific (APAC) region. In addition to the sale of projects to third parties, power plants will continue to be transferred to the IPP business entity in the years ahead.

The Solar Projects business entity aims to implement projects with a total output of around 2.2 GW in the financial year 2024. The focus here is expected to lie on the markets in Europe – particularly Spain, the Netherlands and the UK – and the US. Power plants will also continue to be transferred from the Solar Projects business entity to the IPP business entity in the coming years.

The IPP business entity's portfolio will expand further and is expected to reach more than 3 GW in the medium term. The portfolio is comprised exclusively of projects that are developed and constructed in the Wind Projects and Solar Projects business entities. The future expansion of the portfolio will focus primarily on parks in Europe with legally guaranteed tariffs or a power purchase agreement (PPA). Earnings contributions from the energy trade are expected to normalise again in 2024, with electricity prices already having declined in 2023. Efforts are also under way to further internationalise the business.

In the service business, the multi-year trend of negative price development for technical management services continued in 2023. However, signs of stabilisation are now apparent. The Services business entity is meeting current challenges by streamlining and automating processes, with support from the targeted use of digital technologies, and by focusing on its core markets and building competences in the area of data-driven services. In spite of short-term challenges, the medium-range outlook is positive, as the business entity is well positioned to benefit from global technology and market trends.

In the Solar Trade business entity, trading in photovoltaic components should continue to benefit from stable demand for new system solutions and already decreasing prices for photovoltaic modules. The expansion of charging infrastructure through charging points in commercial and residential areas for example, as well as a generally higher demand for electricity coupled with rising prices, will generate further opportunities for growth. The effects of climate change once again highlight the need for a transformation of the energy sector, which could further drive the acceptance of renewable energies and the development of the solar trade. The acquisition of Ribeiro Solar in Brazil in the financial year 2023 and the founding of a solar trading company in Colombia are opening up new markets. The European business is further expanding with the acquisition of ProElektro in Latvia and the establishment of a solar trading company in Greece. In preparation for the planned sale of the Solar Trade business entity, a new company called Solar Trade Holding was also founded last year to serve as the future holding company for all Solar Trade units.

The Energy Solutions business entity will continue to support companies with a focus on the core markets of Germany, Spain and Italy as part of the PV own-use model. The Energy Solutions business entity anticipates a rise in business volume in light of the emerging markets in the Asia-Pacific region (APAC), especially in Thailand, Malaysia, Vietnam and Singapore, where a significant share of the supply chains of multinational corporations are based. Energy Solutions also sees great potential for a positive business development in both self-consumption models and corporate PPAs as a result of ambitious climate targets, such as those pursued by the European Union, as well as the entry into force of the German CSR Directive Implementation Act (CSR-RUG). With a focus on developing and building on long-term business relationships with major customers, the Energy Solutions portfolio will be expanded to include additional modules, particularly storage solutions or PV carports in European core markets, as well as floating PV for Germany. Energy Solutions also plans to offer financing models for own-use solutions as well, as demand for these solutions is on the rise among commercial and industrial customers in both the APAC region and Europe.

Earnings before interest and tax (EBIT) for the financial year 2024 are expected to increase significantly year on year. This positive earnings outlook is based on expectations of a recovery in the solar trade and the sale of the solar projects postponed in 2023.

Outlook for the Energy Segment

BayWa's management expects the earnings contribution of the Energy Segment to be clearly above the previous year's value. Contributing factors will include the transition from traditional to climate-friendly energy sources with new, innovative concepts for the basic needs of energy, heat and mobility.

In the heating business, wood pellets exert tremendous appeal in Germany as a carbon-neutral fuel. Against this background, BayWa has laid the foundation for further growth by expanding production and logistics capacities in recent years and growing its e-commerce activities through the "hello:Heat" digital marketplace. BayWa anticipates a slight increase in sales volume of wood pellets for the current financial year.

The subdued growth forecast is attributable to the new German Buildings Energy Act (GEG), which has curtailed subsidies as compared to previous years. This could slow the growth of this heating technology and installation of pellet heating systems accordingly.

The trade in heating oil is expected to decline in the years to come. This development is driven by regulation at the German federal level, which is steadily driving down the use of heating oil as a source of heating energy. If the price of crude oil remains largely stable in 2024 as expected, the slight downward trend seen in the previous year is likely to continue in the current financial year as well, once again leading to lower income. Efficiency gains in the areas of logistics and sales along with additional income from logistics services for external customers under the standardised, neutral brand enlog, which was introduced last year, should have a positive effect.

In trade activities involving conventional fuels, the market is expected to remain stable for the foreseeable future in the areas of relevance to BayWa, which include agriculture and construction as well as heavy vehicles. Agriculture and construction in particular are heavily dependent on diesel fuel and will as yet be unable to replace this fuel with alternative mobility solutions in the years to come.

BayWa Mobility Solutions GmbH will continue to benefit from the expansion of public charging infrastructure for electric vehicles. The subsidies provided in the context of the German network and cooperative arrangements already put in place with charge point operators and retailers are continuing to drive expansion while offering corresponding opportunities in the project business. In addition, BayWa Mobility Solutions GmbH plans to leverage cooperation to continue its strategic evolution into a charge point operator, which began with the contract the German network for the state of Bavaria. BayWa Mobility Solutions GmbH currently has a pipeline of 100 potential locations it hopes to complete by 2026. The pace of expansion depends on the availability of charging stations and key technical components and on the necessary permits.

BayWa Power Liquids GmbH, which operates BayWa's LNG filling station network, plans to continue its expansion and switch all LNG filling stations to bio-LNG by mid-2024. The price of bio-LNG at the pump is expected to be lower than that of diesel, which should provide further incentive for the heavy goods transport sector to make the switch to renewable fuels.

In the business with lubricants and operating resources, demand is expected to remain stable among the target groups of significance to BayWa, the agriculture sector and biogas operators, bucking the trend for the industry in general, which has been influenced by ongoing softness in the overall economy.

Thanks to the faster pace at which the transition to renewable energies is taking place, the field of building services expects the strong demand for refurbishments – especially in the area of heating – to continue in the financial year 2024. BayWa has expanded capacity in this specific area in response. By contrast, the lack of new construction business and declining orders in the prefabricated construction sector are expected to negatively influence performance. The ongoing shortage of skilled workers is another factor rendering the potential expansion of the business more difficult.

All in all, the Energy Segment will be marked by stable market dynamics in the financial year 2024. At the same time, the segment is expected to benefit from optimised logistics and high-quality goods in the trade in wood pellets. Drawing on its basic supply function in the fields of conventional fuels and lubricants as well as heat energy carriers, the expansion of the renewable energies business will accelerate further. Assuming trade margins comparable to those seen in 2023, a clear increase in EBIT is anticipated in the Energy Segment.

Outlook for the Cefetra Group Segment

In the Cefetra Group Segment, BayWa assumes that there will be lower volatility and that agricultural commodities markets will stabilise. Geopolitical tensions, climate change, the decarbonisation of the economy and further political and overall economic factors will continue to influence supply and demand for products in these fields, but are likely to diminish in intensity compared to the turbulence of the past few years. Greater stability in supply chains combined with lower logistics costs should contribute to greater predictability and lower risk in particular. However, this could weigh on profit margins.

In the grain and oilseed trade, the trading volume of standard products is expected to be on a par with the previous year. The feedstuff markets are the main factor driving the current stagnation. Livestock farmers are in a difficult position here due to ongoing changes in consumer behaviour, an effect that is being felt in this sector. This has prompted a decline in both volumes and margins on sales of compound feed, especially in north western Europe. BayWa plans to counteract this trend towards shrinking markets by developing new business areas and ramping up its diversification in other sectors, such as pet food and feedstuff for aquaculture. Less profitable sales flows, especially those that employ large amounts of capital, will be rationalised to increase the quality of earnings.

In the speciality business, BayWa continues to profit from its strong market position and from sound supply chains. The trade in food ingredients is expected to continue to increase. This growth can be generated both organically and through the establishment of new business entities. Further acquisitions are another potential option. Cefetra Dairy plans to further expand its business and has set its sights on growth in Asia and the Middle East through representatives in Singapore and Dubai. Supply options from New Zealand are also under review. The margins for Royal Ingredients in the trade in starch and proteins are expected to return to normal levels in 2024 in comparison to the outstanding margins earned in highly constrained and logistically difficult markets in 2022 and 2023. This will lead to a smaller earnings contribution.

All in all, EBIT for the Cefetra Group Segment for 2024 is expected to be substantially below the previous year’s value, owing primarily to lower margin potential in the agricultural markets. However, earnings should once again be clearly above the long-term average.

Outlook for the Agri Trade & Service Segment

In the Agri Trade & Service Segment, BayWa anticipates positive business development. Average harvests are expected in the BayWa regions, with prices remaining high in the product trade. In the agricultural input business, the substantial inventories held by farmers from 2022 should be drawn down, matched by reinvigorated demand. The development of the war against Ukraine and its potential impact on the agricultural sector remains an incalculable factor of uncertainty.

In the product trade (grain trade and collecting business), expectations of positive development are prompted by good collection activities and by sales contracts that were concluded in 2023 and are expected to be realised at a profit in the first half of 2024. With supply still constrained, prices are expected to hold steady at the same high level as last year. However, the variability of quality seen in the 2023 harvest is likely to still influence the central European market in the first half of 2024. This means access to good quality products opens up above-average margin potential. The collection volume in Germany for harvest year 2024 – assuming comparable distribution of crops and an average growing season – is currently expected to be at a moderate level.

In the agricultural input business, a structural decrease in quantities used and sales volume is expected for both fertilizers and crop protection products in the next few years as a result of increasingly stringent environmental requirements. However, BayWa anticipates rising sales volumes in both areas for 2024, as the large inventories built by farmers in 2022 are likely depleted by now, which should drive re-normalisation of demand behaviour. Because fertilizer prices have stabilised after decreasing in the previous year, the fertilizer business is expected to perform better overall in the current financial year. Efficiency gains through further optimisation of internal communication and handling processes, such as single-stage processing and centralised inventory management, will also contribute to this. For crop protection products, the decrease in chemical products will be partly compensated for by innovation, such as in the area of biological active ingredients (biologicals). Prices are also expected to decrease in the financial year 2024, countering the expected increase in sales volume.

In the seed trade, the breeding of new, advanced and improved varieties with increased resistance to disease and extreme weather conditions offers growth opportunities.

The feedstuff business is marked by ongoing structural change and decreasing meat production in Germany. The ongoing decline in pig stocks in particular is reducing sales potential in this segment.

All in all, the management anticipates EBIT in the Agri Trade & Service Segment for 2024 to improve sharply year on year and to stand well above the average income level for recent years. This development is due primarily to the positive expectations for the product trade and to the normalisation of the agricultural input business.

Outlook for the Agricultural Equipment Segment

The Agricultural Equipment Segment, part of BayWa's agriculture business unit, anticipates good development for the financial year 2024. Assuming the order backlog remains high – nearly at the record level seen the previous year – there are signs of a good basis for sales of new vehicles, at least for the first half of 2024. The high order backlog is the result of various factors, including the return of Agritechnica, the world's largest agricultural equipment trade fair, to Hanover in autumn 2023, marking the first time it was held since the start of the coronavirus pandemic. There was a clear increase in farmers' investments in agricultural equipment following the event. The second half of the year is likely to bring further challenges. For example, farmers' propensity to invest is expected to soften in the second half of the year, as farming income is likely to once again fall short of the level in the previous year in the harvest year 2023/24. The high-profile debate surrounding the future of agricultural subsidies, for example for agricultural diesel, could still spur demand for modern equipment with greater efficiency, however. Now that supply chains have normalised and shipments of new equipment are on the rise, demand for used machinery is expected to decrease. The BayWa Group also strives to optimise its inventory management to reduce the amount of capital that is tied up, along with the associated interest burden, in the trade in both used and new machinery. This could restrict the trade in used machinery in particular.

BayWa expects to see ongoing stable development in the service business as a result of the structural change occurring in the agriculture sector, combined with the increasing use of larger and more powerful agricultural equipment and robust sales of new machinery in previous years. The business in spare parts sold online, for example, is expected to strengthen now that supply chains for spare parts are working again.

The good business at Agrimec, a BayWa subsidiary in the Netherlands that operates in the international trade in agricultural machinery, particularly with the Fendt and Krone brands, is expected to remain strong in the financial year 2024 in spite of the structural changes that are also taking place in the Netherlands, with increasing consolidation in the agriculture sector. Demand for innovative and climate-neutral products, such as electric tractors and robots to automate agriculture, is expected to see especially positive developments. BayWa's focus with the products from agricultural machinery manufacturer CLAAS is on large, high-performance sites in Germany as a customer group. These sites are not expected to see major changes in demand between now and 2026, with demand holding steady at the same level as the previous financial year. Orders that were moved up in previous years are expected to have a somewhat dampening effect on unit sales of tractors. Revenues and income in the after-sales segment are expected to continue to increase. The driving factors here are BayWa's high professionalism and service quality (FIRST CLAAS Service, mobile customer service and availability of spare parts).

Following the investment boom in agricultural equipment and machinery in recent years, the market is likely moving towards saturation at this point. Factors weighing on the development of the Agricultural Equipment Segment on the market side include high interest rates, which are cooling farmers' enthusiasm for investment, and the expiration of the "Bauernmilliarde" (farmers' billion) subsidy for investment in particularly environmentally and climate-friendly farming methods. The shortage of skilled workers in the service business and rising personnel, IT and insurance costs continue to present challenges.

With an eye to the result, inventory management remains a strategic area of focus owing to high interest rates. The goal is to reduce inventory by 15% to 25% to decrease the burden it poses. At the same time, plans call for approximately €40 million in investment in the existing location network. Eight new service centres are to be built, and further locations are due for modernisation. In the financial year 2024, there will also be increased costs due to the introduction of a new enterprise resource planning (ERP) system.

Efforts to realise synergies with the Agri Trade & Service sister segment will continue. With the two segments serving largely identical target groups and sharing locations, plans call for ramping up customer loyalty activities and positioning BayWa on the market as a professional solution provider.

While revenues are expected to remain stable in the service business, demand for new machinery is likely to decrease in the second half of the year, following a positive first half owing to full order books. On the cost side, the planned investments in multiple locations are expected to be a factor in increased costs. As a result, the BayWa Group expects EBIT to decline significantly in the Agricultural Equipment Segment for 2024 as a whole.

Outlook for the Global Produce Segment

The Global Produce Segment expects this financial year to bring far better development overall than the previous year, albeit with variation across the individual core markets. Following last year's weather-related slump, the now higher harvest in New Zealand is expected to have a significant positive effect here.

New Zealand subsidiary T&G Global Limited (T&G Global) anticipates that the business will recover after its tough year in 2023. The harvest now in progress is promising in terms of both quantity and quality. However, plantation losses and the aftereffects of Cyclone Gabrielle mean that harvest volumes are still expected to be below average, albeit higher than last year. As a result, export volumes will also increase in comparison to the previous year. The subsidiary VentureFruit should also benefit from rising volumes and additional licensing activity, especially for the premium apple variety Envy and for the Joli variety. Marketing prices are expected to hold steady at the same level as last year.

Consumer enthusiasm for exotic fruit is expected to be somewhat higher on the whole than in the previous year. As a result, volumes are expected to increase at the Dutch subsidiary TFC Holland B.V. (TFC) even as prices stabilise, pushing up margins. A number of factors will play a role in this development, including the continued focus on expanding the customer base. Since relocating to the new warehouse and packaging location in Waddinxveen in early 2023, with its new machinery, TFC has also been working on improving production processes to boost productivity and on enhancing product quality through state-of-the-art storage and ripening technologies. The vertical integration strategy initiated last year, with short value chains and direct access to goods, is also being pursued further. The focus is on the countries of origin of avocados and mangos, two key products.

BayWa Obst expects income from services to decrease year on year owing to lower volumes from the new 2023 harvest. On the cost side, the anticipated rises in tariffs and the minimum wage will further increase pressure to compensate for rising costs by enhancing productivity.

For the financial year 2024, the Global Produce Segment anticipates a sharp increase in EBIT due in large measure to the fact that the harvest in New Zealand is clearly larger than in the previous year. Revenues and earnings are also forecast to increase in the trade in exotic fruits. In addition, the company expects a further insurance reimbursement for the damage done by the cyclone. The majority of the insurance payout will be collected in the financial year 2024, which will have a positive effect on EBIT.

Outlook for the Building Materials Segment

Overall conditions in the construction industry will generally remain challenging in 2024. Interest rates are expected to remain high, pushing up the costs of construction financing. Prices in the building materials retail segment have stabilised at a high level, however. Demand for new housing is fundamentally robust, but uncertainty surrounding subsidies is weighing on propensity to invest. Following a two-month pause, subsidised loans with lower interest rates once again became available for construction of climate-friendly housing and non-residential buildings as of 20 February 2024. Support is available for new construction and purchases of newly built climate-friendly and energy-efficient housing and non-residential buildings. This should have a positive effect on sales volume in the building materials retail segment as compared to the previous year.

BayWa plans to use the current financial year to consolidate its market position and press ahead with topics of relevance for the future. Key topics in this category include industrial production in the construction segment: the prefabrication of individual parts, assemblies or components for later integration into building projects. The stakes acquired in the bathroom module manufacturer Tjiko GmbH, the large ceramics processor Ceraflex GmbH and H2X should be viewed in this context, and there are plans to pursue further growth in these areas. BayWa also plans to leverage market consolidation to its advantage. Many companies have been forced to pull back from the market as a result of the crisis, which is opening up opportunities for BayWa to gain market share.

To improve profitability, BayWa initiated a cost efficiency program in the Building Materials Segment last year. Locations were reviewed with an eye to profitability. Subsequently, five were closed and one was sold. In this context, active and passive workforce reductions were also decided on last year in the Building Materials Segment. At approximately 3,200 employees, it is the segment with the most personnel within BayWa. Moreover, personnel costs make up about 70% of the total costs in this segment. These measures will considerably reduce costs as early as the financial year 2024, resulting in positive effects on segment earnings. BayWa will continue to monitor market developments in the current financial year and take prompt further action where necessary and appropriate. This may include further optimisation measures, along with short time and other labour market policy instruments.

The subsidiary BayWa Bau Projekt GmbH expects further growth in revenues and EBIT in the financial year 2024, as a number of approved construction projects are approaching realisation, and projects that are already in progress are nearing completion. In the latter case, the progress of completion is having a positive effect in keeping with the cost-to-cost accounting treatment. For example, a large number of projects were sold in 2022 but will not be realised until 2024 and 2025, when they will begin to make larger contributions to revenues and EBIT.

In the previous financial year, BayWa initiated comprehensive measures to optimise processes, enhance efficiency, close unprofitable locations and reduce staffing levels, thereby considerably improving the cost base for 2024. The company does not anticipate a rapid reversal of the trend in the market itself. On the whole, however, BayWa expects to see a sharp improvement in the result in the Building Materials Segment in 2024 following a weak previous-year result. BayWa will enhance the basis for future growth in the current financial year. For example, the company is continuing its strategy of transformation from a pure product trader to a provider of efficient all-in-one solutions and services. BayWa also wishes to partner with customers in the Building Materials Segment on matters of construction sustainability as an expert on greater sustainability and climate action in the building sector.

Other Activities

Other Activities encompass the BayWa Group's central management and administrative functions, as well as its peripheral activities. Overall, the negative EBIT from Other Activities is expected to increase significantly in 2024. This development is primarily due to higher expenses for the Group-wide upgrade of the digital merchandise management system and the expansion of IT security. The reshuffling of subsidiaries following the dissolution of the Innovation & Digitalisation Segment and its combination with Other Activities, which is planned for 2024, is also likely to have a negative effect.

Opportunity and Risk Report

Principles of opportunity and risk management

The management of opportunities and risks is an ongoing area of entrepreneurial activity which is necessary to ensure the long-term success of the company and is closely aligned with the long-term strategy and medium-term planning of the BayWa Group. BayWa makes use of opportunities that arise in the context of its business activities. Internationalisation also allows BayWa to tap into new business opportunities, which in turn reduces its dependence on the individual country markets and their risks. The identification of entrepreneurial opportunities, the safeguarding of the assets and the enhancing of enterprise value therefore necessitate an opportunity and risk management system. The systematic development of existing and new systems with a built-in early warning component makes an indispensable contribution to further strengthening and consistently building up a Group-wide opportunity and risk culture.

The principles underlying the system set in place within BayWa Group to identify and monitor risks specific to the business have been described in a risk management manual approved by the Board of Management. In addition, the Internal Audit Department regularly audits the internal risk management system which supports the processes. ISO certifications for the standardisation of workflows and for risk avoidance, as well as the conclusion of insurance policies, supplement the Group's management of risk.

Moreover, in its corporate policy and ethical principles, as well as the Code of Conduct, the BayWa Group has established binding goals and a code of conduct which have been defined throughout the Group. They regulate individual employee actions when applying the corporate values, as well as their fair and responsible conduct towards suppliers, customers and colleagues.

In 2021, a process for integrating sustainability risks into the risk management system was started. The Corporate Risk, Corporate Sustainability, Corporate Social Compliance and Corporate Controlling departments work cross-divisionally on integrating sustainability topics into the risk management system. In the course of updating the risk management report in 2021, environmental and climate-related risks were systematically identified and presented in the risk management system for the first time. To identify climate-related risks, a set of guidelines and a methodology for a uniform Group-wide evaluation standard were developed in the financial year 2022 based on the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). The risk officers identify, assess and report on climate risks in their business divisions using them. The guidelines were revised slightly in 2023, and further sustainability risks will be added to the methodology in the next few years. At the same time, a methodology for identifying human rights risks was developed in 2021 based on the SME Compass from the Helpdesk on Business and Human Rights and its recommendations.

Information on human rights risks is increasingly being retrieved since the reporting year 2022 owing to factors including the tighter legal requirements imposed by the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). Corporate Social Compliance performs these risk analyses annually. The methodology is reviewed and updated each year in line with changes to external reporting standards and regulations. When identifying sustainability risks, the risk officers are requested to disclose concrete measures for the reduction of these risks. Potential opportunities resulting from them and any identified risks are analysed by Corporate Sustainability, Corporate Social Compliance and Corporate Risk and then factored into strategic decisions.