

Living Unity

Acting responsibly

Sustainability Report 2018

BayWa

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Foreword



Prof. Klaus Josef Lutz
Chief Executive Officer of BayWa AG

Dear Readers,

The hot summer, harvest losses and weather-related disasters of 2018 serve as dramatic evidence of just how strongly our well-being depends on wider-scale climatic developments. We are also getting an ever-clearer sense of how closely linked our well-being is with the events on other continents in a global economy. The motto of this year’s sustainability report, “Living unity”, expresses this awareness and illustrates how we are translating it into reality.

For example, we are helping farmers around the world prepare for the future through digital products and services while supporting them in coping better with volatile weather. We have already been climate-neutral at the German Global Produce locations since 2018. But this is just the beginning of our commitment. The production sites of TFC Holland and T&G Global in New Zealand are also set to go climate-neutral in the years ahead. At the same time, we recently approved an ambitious climate strategy that aims to reduce our greenhouse gas emissions in a targeted manner.

We firmly believe that companies can only remain successful if they acknowledge global relationships and developments in their balance sheets and take responsibility for the impact of their actions. The UN Sustainable Development Goals show us the path. They point out not only the risks, but also tremendous opportunities. Developing solutions to feed the 10 billion people projected to populate this planet is a clear part of it, as is providing energies from alternative sources or shaping value chains responsibly –

allowing us to link our economic success with the interests of our stakeholders while embodying our principles as a company with cooperative roots. That also means creating value for the common good through our actions.

In this sustainability report, we will demonstrate how we are embodying unity worldwide. Using management concepts and performance indicators, it also gives an account of how we act and the results we achieve in the process. We firmly believe that a company’s ability to preserve its value is also reflected in the level of transparency that it achieves with respect to employees, customers, partners, society and policymakers – and in the philosophy it publicly embodies.

I would therefore like to say thank you to all our employees for their day-to-day dedication to sustainability at our company. As so often, the path we take to get there is as important as the goal itself – and we are moving in the right direction. I invite you to see for yourself.

Best regards,

Prof. Klaus Josef Lutz
Chief Executive Officer of BayWa AG

About this report

102-45, 102-46, 102-49

With its fifth Sustainability Report, BayWa gives an account of how it puts its corporate responsibility into practice. The report describes the impact of the company’s operations on the environment and society, documents key figures and presents objectives and measures that BayWa uses to manage its sustainability-related activities. The reporting period is the financial year 2018 (1 January to 31 December). Where available, data from the previous year is included for comparison. Reporting is carried out annually. The next Sustainability Report will probably be published in April 2020.

Framework, review and non-financial report

The BayWa Sustainability Report 2018 was prepared in accordance with the Global Reporting Initiative (GRI) Standards. It complies with these standards to ensure international comparability. This report has been approved by the Board of Management of BayWa AG. The report implements the requirements of the German CSR-Richtlinie-Umsetzungsgesetz (CSR Directive Implementation Act – CSR-RUG) and contains the separate non-financial report for the Group pursuant to Section 315b of the German Commercial Code (HGB), which has been combined with the non-financial report of the parent company pursuant to Section 289b of the German Commercial Code (HGB) (hereinafter: “consolidated non-financial report”). This consolidated non-financial report consists of the sections referenced in the overview on page 13 and other disclosures. The relevant content was subject to a limited review

by an independent auditing firm (see page 13). The auditing company reported its findings to the Supervisory Board. The Supervisory Board reviewed and approved the separate consolidated non-financial report on the basis of these findings.

Determining the content of the report, scope and coverage of key performance indicators

The content to be included in the report was determined in 2016 by way of a materiality analysis based on the UN Sustainable Development Goals (SDG), to which the corresponding aspects and indicators of the GRI G4 Guidelines and the GRI Sector Disclosures for “Food Processing” and “Oil and Gas” were assigned (see page 11). This classification was translated into the GRI Standards. The relevant content for the separate consolidated non-financial report as a subset of the report was determined by assessing the understanding of the business performance, business results and the company’s position, as well as the BayWa Group’s impact on the non-financial aspects (see page 13).

Besides the parent company, BayWa AG, the BayWa Group comprises 313 fully consolidated Group companies. The general statements in the management approaches in this report and the performance indicators pursuant to the German CSR Directive Implementation Act relate to the whole Group (see overview table, p. 13). Differing approaches, guidelines, structures and processes at subsidiaries are described in the text.



In this text, the use of this symbol identifies the significant performance indicators that BayWa has established during its implementation of the German CSR Directive Implementation Act. The significant performance indicators for 2018 were subject to a limited review by an independent auditing firm.

102-48

Not all consolidated subsidiaries were included in the scope of data collection for the relevant disclosures pursuant to GRI in 2018. GRI data collection is to be expanded to the remaining subsidiaries in the years ahead.

In the chapters Strategy and Governance, Market, Environment and Climate, and Employees, the quantitative data of the Sustainability Report 2017 is not directly comparable with the data of this report due to more detailed data collection at BayWa AG in the reporting year. Data collection at the subsidiaries was also expanded to include companies, meaning that the data is also not directly comparable in this regard. The data for 2017 has been corrected accordingly in this report.

The expansion of data collection to a new group of consolidated companies made it necessary in the first year to formulate projections for the year 2018 of certain consolidated disclosures or complete them using estimates.

If necessary, further reformulations due to adjustments, retrospective recognitions or changed data collection deviating from previous reports are included as footnotes and, where possible, explained.

Note from the editor

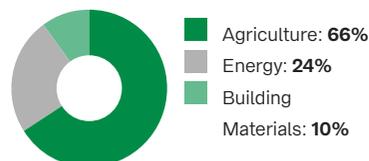
The editorial deadline was 5 March 2019. The Sustainability Report is available in German and English.

Profile of BayWa

Revenues

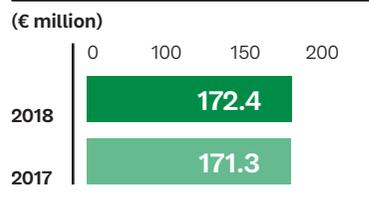


Shares¹



¹ Figures rounded. The segment Innovation & Digitalisation and Other Activities make up less than 1 per cent of total revenues

EBIT



See also Consolidated Financial Statements

The things that are important to people across the world – healthy nutrition, climate protection and sustainability – are reflected in BayWa’s range of products and services, as well as in its strategy. Since its founding 96 years ago, the company has focused on basic human needs. As a trading, logistics and services group with international operations in the agriculture, energy and building materials businesses, BayWa helps to responsibly shape the future of our world. It develops solutions that make agriculture more efficient in an environmentally sound way, builds plants and systems for renewable energies and helps power the advancement of energy efficiency and healthy housing in the construction sector.

Action driven by values

BayWa’s three core segments – namely the Agriculture, Energy and Building Materials Segments – trace their roots back to the company’s origins: providing rural regions with everything they need. Part of BayWa’s efforts today also include shaping the digital transformation, which BayWa aims to do through its Innovation & Digitalisation Segment focused on the development of new and digital solutions for agriculture. Trust, solidity and innovation are hallmarks of how the company does business. These core values at BayWa find expression in transparency, social responsibility and a commitment to global sustainability goals. The Renewable Energies business unit captures the essence of sustainability and has become an integral part of BayWa. In fact, it is impossible to imagine BayWa today without this business unit, which is not even

ten years old. To promote healthy nutrition, the BayWa Foundation has been supporting sustainable education projects around the world for 20 years. The largest shareholders of the company, which has been listed in the Prime Standard segment of the Deutsche Börse since 2000, include Bayerische Raiffeisen-Beteiligungs-AG, with a 34.75 per cent stake, and Raiffeisen Agrar Invest GmbH, with a 25.01 per cent stake. A further 40.24 per cent of shares are free float.

There for customers – worldwide

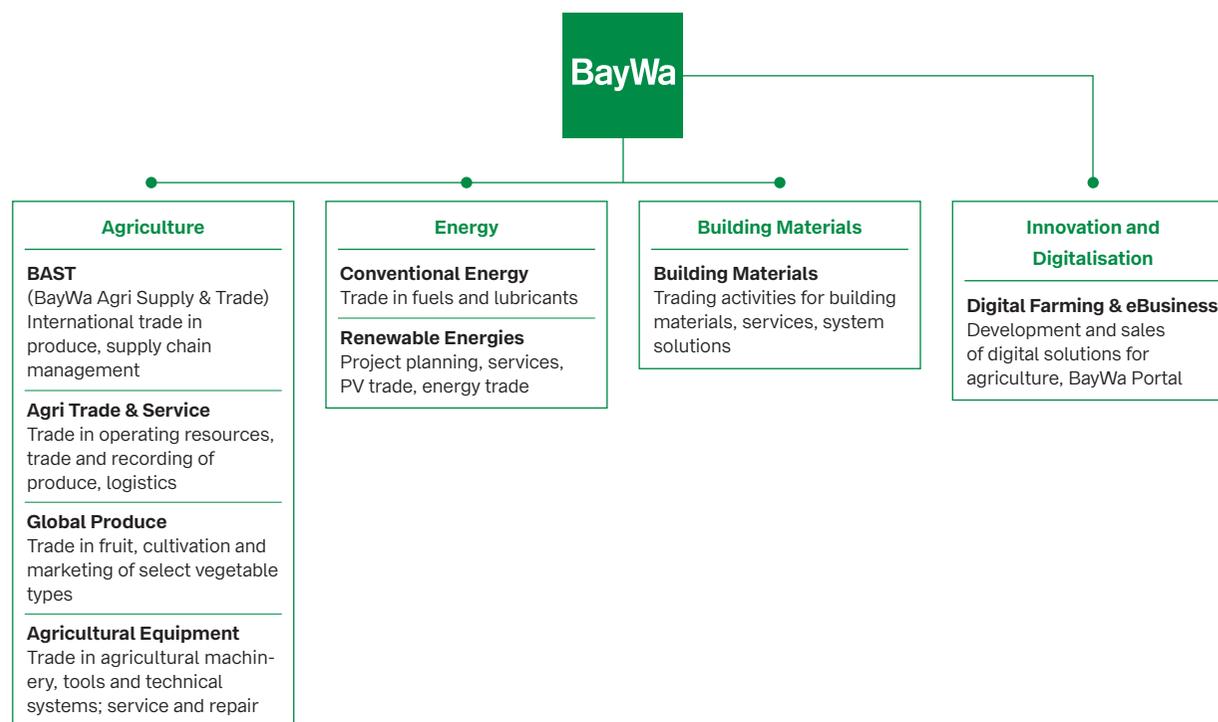
BayWa’s roots are found in agricultural cooperative trading. Nowadays, BayWa coordinates some 3,000 locations in 41 countries from its headquarters in Munich. In 2018, the company generated €16.6 billion in revenues with a workforce of 19,388 employees. The key markets are Europe, the United States and New Zealand. With regard to renewable energies, increasing focus is being placed on the Asian market. The share of revenues generated abroad stood at approximately €9.5 billion in 2018. Tapping into further promising foreign markets is part of the growth strategy. A dense sales network and comprehensive digital offerings bring BayWa’s products and services into remote regions as well. Customers – particularly farmers and foresters, consumers, industry, commercial enterprises and trading companies – can rely on the expertise of BayWa’s employees and the vendor-independent product range from more than 30,000 suppliers.

Segments for growing needs

In the Agriculture Segment, BayWa covers nearly the entire value chain in agriculture by combining local presence – during the provision of operating resources such as seed and fertilisers, as well as during harvest recording activities – with international reach in

terms of trade in and logistics for agricultural products, machinery and services. BayWa is at home in both the northern and southern hemispheres with its Global Produce business unit. It markets a diverse range of products worldwide, from pome fruit to tropical fruits right up to select vegetable types. In the field of agricultural equipment, BayWa supplies the whole spectrum of machines, devices and systems, along with the corresponding services, as a sales partner to renowned manufacturers.

BayWa Group



In the conventional energy business, the company markets fuels, heating fuels and lubricants. BayWa is a major international player in the future market of renewable energies. It has systematically tapped the potential of the value chain in terms of wind, solar and biomass, and is represented in the most important markets across all borders, including the project business involving the construction of wind farms and solar parks, as well as the trading in components and systems for photovoltaic installations.

In its core regions of Germany and Austria, the Building Materials Segment markets and sells an entire range of building materials, from construction, civil engineering and extensions, to renovations, modernisation, gardening and landscaping.

The Innovation & Digitalisation Segment pools the digital activities at the Group and advances developments with the goal of optimising agricultural processes and creating opportunities for sustainable development. The focus is currently on projects in the fields of digital farming and eBusiness.

Strategy and Governance

The economy is shaped by global challenges. BayWa is rising to these challenges with a corporate strategy in which a responsible approach to people and natural resources plays an integral role. BayWa's understanding of sustainability is closely tied to the cooperative tradition of the company and is based on its brand values: trust, solidity and innovation. To ensure lasting success in the long run, BayWa links its international growth with the global UN Sustainable Development Goals, which provide binding values that apply to all employees and form the foundation for sustainable and entrepreneurial conduct. In addition to ethical and legal principles, BayWa also observes the principles of good corporate governance. BayWa engages in regular dialogue with its stakeholders.

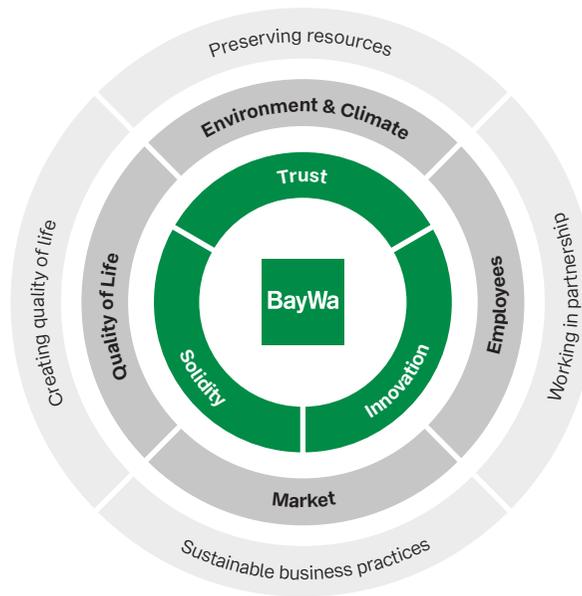
- › **Sustainability approach of BayWa**
- › **Binding values**
- › **Good Corporate Governance**
- › **Compliance and anti-corruption**
- › **Dialogue with stakeholders**

Sustainability approach of BayWa

102-40, 102-42, 102-44, 102-46

In 2018, BayWa participated in relevant non-financial ratings and rankings that assess the management of non-financial topics externally. BayWa received a Silver medal in the EcoVadis CSR rating in 2018. The company's sustainability performance was rated "medium" in the oekom Corporate Rating 2018, earning it a score of C-. BayWa sees the results as motivation to further improve its sustainability performance.

BayWa's sustainability strategy



Tradition and innovation shape BayWa's understanding of sustainability and of itself as a company. The company has always combined solid, profitable growth with a focus on the interests of future generations. BayWa's trusting relationships with customers, employees, investors and suppliers are shaped by its origins as a cooperative. These relationships depend on its brand values: trust, solidity and innovation. The sustainability strategy's four fields of action (see adjacent diagram) allow BayWa to balance its economic, environmental and social activities.

Materiality analysis

Since 2016, BayWa has oriented the definition of its material management and reporting topics towards the United Nations Sustainable Development Goals (SDGs). The necessary updates and definitions of the strategic focus were supported by the sustainability steering committee. With the help of an external moderator, the participants looked at the most relevant challenges from a business and social perspective. For the latter, they assumed the point of view of the three stakeholder groups that are most relevant to BayWa: customers, suppliers and employees. Experience shows that these groups have the biggest impact on the company. At the same time, they are also the groups most strongly affected by the company's activities.



BayWa's sustainability objectives

As part of this intensive discussion and evaluation process, eleven of the 17 SDGs in total were defined as being of above-average relevance for BayWa. Since then, the findings (see image on page 11) have constituted the foundation for sustainability management and annual reporting in accordance with the Global Reporting Initiative (GRI). In the further development of its sustainability strategy, BayWa will pay attention to making a particular contribution to the implementation of these global targets.

The steering committee analysed the SDGs in relation to their significance for long-term business success and defined significant impacts of the BayWa Group's business activities within this context in late 2017. The purpose of doing so was to review the strategic focus and define material information for the implementation of the German CSR Directive Implementation Act. Under the European CSR reporting obligation, BayWa AG has had to present a separate consolidated non-financial report since 2018. The Group has to report on those aspects that are relevant for understanding business performance, business results and the company's position, and that are also associated with a significant impact on non-financial aspects. For the second year in a row, BayWa AG has published a separate consolidated non-financial report pursuant to the German CSR Directive Implementation Act as part of its sustainability report.

Based on the SDGs, the sustainability steering committee therefore discussed the significance of non-financial issues for future business development and defined the fields in which BayWa's business activities are associated with significant impacts on the environment, employees and society. The discussion revealed that potential positive or negative impacts on the environment, employees, society, efforts to fight corruption and bribery, and respecting human rights exist for five general issues at BayWa:

- Ensure Climate Protection and Production of Sustainable Energy
- Protect Terrestrial Ecosystems
- Promote Health
- Achieve Sustainable Growth and Fair Working Conditions
- Ensure Sustainable Production, Trade and Consumption

None of the five general issues is particularly relevant for understanding the company's situation, according to the findings of the materiality analysis in late 2017. However, the topics can be expected to gain importance for business performance in the medium to long term. Climate protection and the generation of clean energy are already associated with business opportunities and risks today, which is why BayWa drew up an ambitious climate strategy in the financial year (see page 46). BayWa plans to revise its materiality analysis in 2019 and intends to survey its external stakeholders as well to this end.

Key challenges, based on the UN Sustainable Development Goals (SDGs)^{1, 2}

102-46, 102-47



Ensure Sustainable Production, Trade and Consumption

SDG²: 12. Responsible consumption and production

GRI Topics³: Emissions (i, o), Energy (i, o), Environmental Compliance (i, o), Procurement Practices (o), Marketing and Labeling (i, o), Materials (o), Effluents and Waste (i, o), Supplier Environmental Assessment (o), Supplier Social Assessment (o)



Promote Health

SDG²: 3. Good health and well-being

GRI Topics³: Indirect Economic Impacts (i, o), Emissions (i, o), Effluents and Waste (i, o), Marketing and Labeling (i, o), Customer Health and Safety (i, o), Occupational Health and Safety (i)



Develop New Global Partnerships

SDG²: 17. Partnerships for the goals

GRI Topics³: Environmental Compliance (i, o), Emissions (i, o), Effluents and Waste (i, o), Indirect Economic Impacts (i, o), Supplier Social Assessment (o), Human Rights Assessment (o), Supplier Environmental Assessment (o)



Achieve Food Security and Sustainable Agriculture

SDG²: 2. Zero hunger

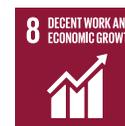
GRI Topics³: Indirect Economic Impacts (i, o), Marketing and Labeling (i, o), Local Communities (o), Procurement Practices (o), Customer Health and Safety (i, o), Healthy and Affordable Food (o), Economic Performance (i, o), Energy (i, o), Supplier Environmental Assessment (o)



Promote Peace and Constitutional Justice

SDG²: 16. Peace, justice and strong institutions

GRI Topics³: Anti-Corruption (i, o), Environmental Compliance (i, o), Indirect Economic Impacts (i, o), Socioeconomic Compliance (i, o), Anti-competitive Behavior (i), Public Policy (i), Customer Health and Safety (i, o), Marketing and Labeling (i, o), Human Rights Assessment (o), Local Communities (o), Non-discrimination (i, o), Supplier Social Assessment (o)



Achieve Sustainable Growth and Fair Working Conditions

SDG²: 8. Decent work and economic growth

GRI Topics³: Indirect Economic Impacts (i, o), Diversity and Equal Opportunity (i), Procurement Practices (o), Economic Performance (i, o), Market Presence (i, o), Training and Education (i), Employment (i), Energy (i, o), Supplier Social Assessment (o), Non-discrimination (i, o), Occupational Health and Safety (i), Materials (o)



Ensure Climate Protection and Production of Sustainable Energy

SDG²: 13. Climate action
7. Affordable and clean energy

GRI Topics³: Energy (i, o), Emissions (i, o), Materials (o), Effluents and Waste (i, o), Environmental Compliance (i, o), Economic Performance (i, o), Indirect Economic Impacts (i, o), Supplier Environmental Assessment (o)



Achieve Equality

SDG²: 5. Gender equality
10. Reduce inequalities

GRI Topics³: Procurement Practices (o), Diversity and Equal Opportunity (i), Employment (i), Training and Education (i), Economic Performance (i, o), Indirect Economic Impacts (i, o), Non-discrimination (i, o), Supplier Social Assessment (o)



Protect Terrestrial Ecosystems

SDG²: 15. Life on land

GRI Topics³: Procurement Practices (o), Environmental Compliance (i, o), Emissions (i, o), Materials (o), Energy (i, o), Effluents and Waste (i, o), Supplier Environmental Assessment (o)

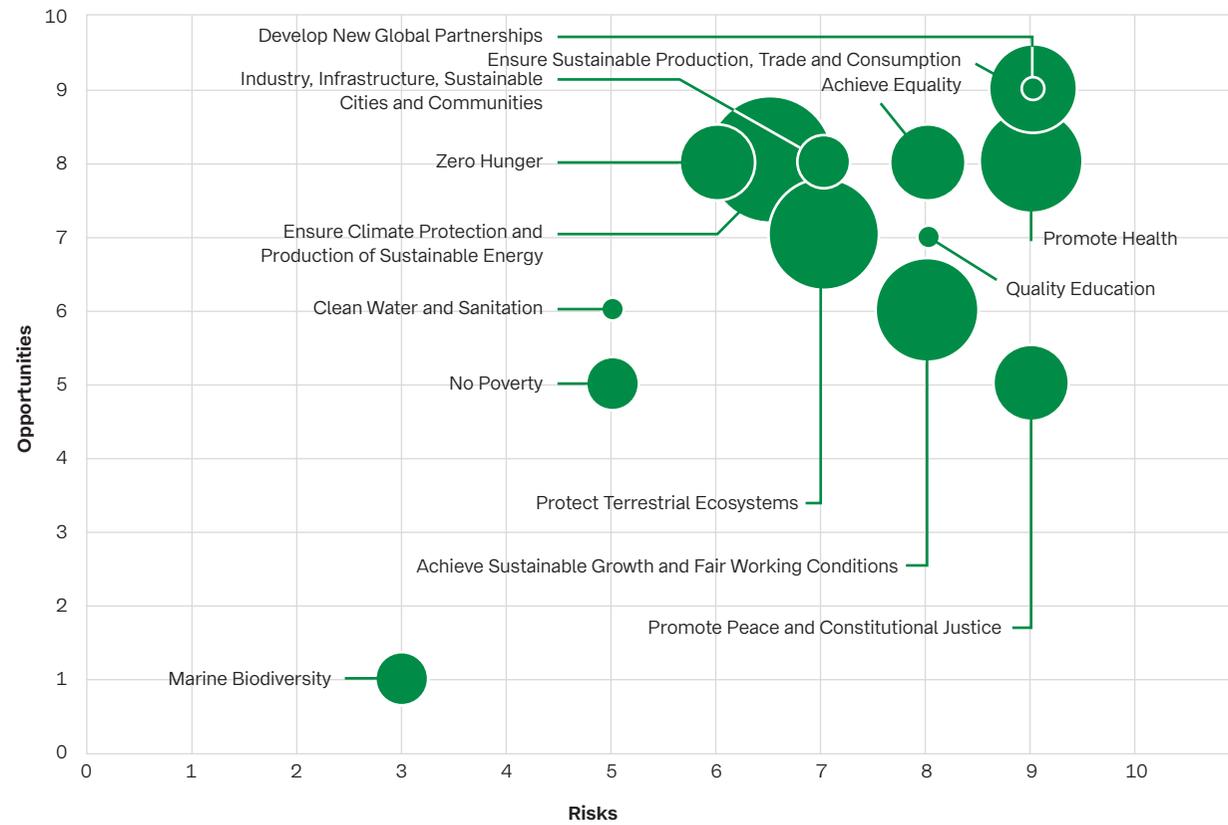
¹ The following SDGs were assigned a score of less than seven and were therefore considered insignificant for BayWa: Clean Water and Sanitation; Quality Education; Industry, Innovation and Infrastructure; Sustainable Cities and Communities; No Poverty; and Marine Biodiversity. For information on the methodology, see page 09.

² Source: UN Sustainable Development Goals, UN Guidelines for Use of SDG logo and 17 icons

³ Significant within (i) or outside (o) the organisation; attribution to multiple categories possible; the contribution follows: Linking the SDGs and GRI.

102-46, 102-47

Results of the materiality analysis



The higher an issue is ranked on the x- or y-axis, the greater the risks and/or opportunities associated with BayWa's long-term business success. The relative size of the issues reflects the estimated potential impact due to BayWa's business activity. The larger the circle, the greater the potential impact.

102-46

Based on the findings of the materiality analysis, BayWa has defined the parts of the consolidated non-financial report pursuant to the German CSR Directive Implementation Act as a part of this sustainability report. The report implements the requirements of the German CSR Directive Implementation Act and contains the consolidated non-financial report. This consolidated non-financial report consists of the sections and disclosures referenced in the following overview.

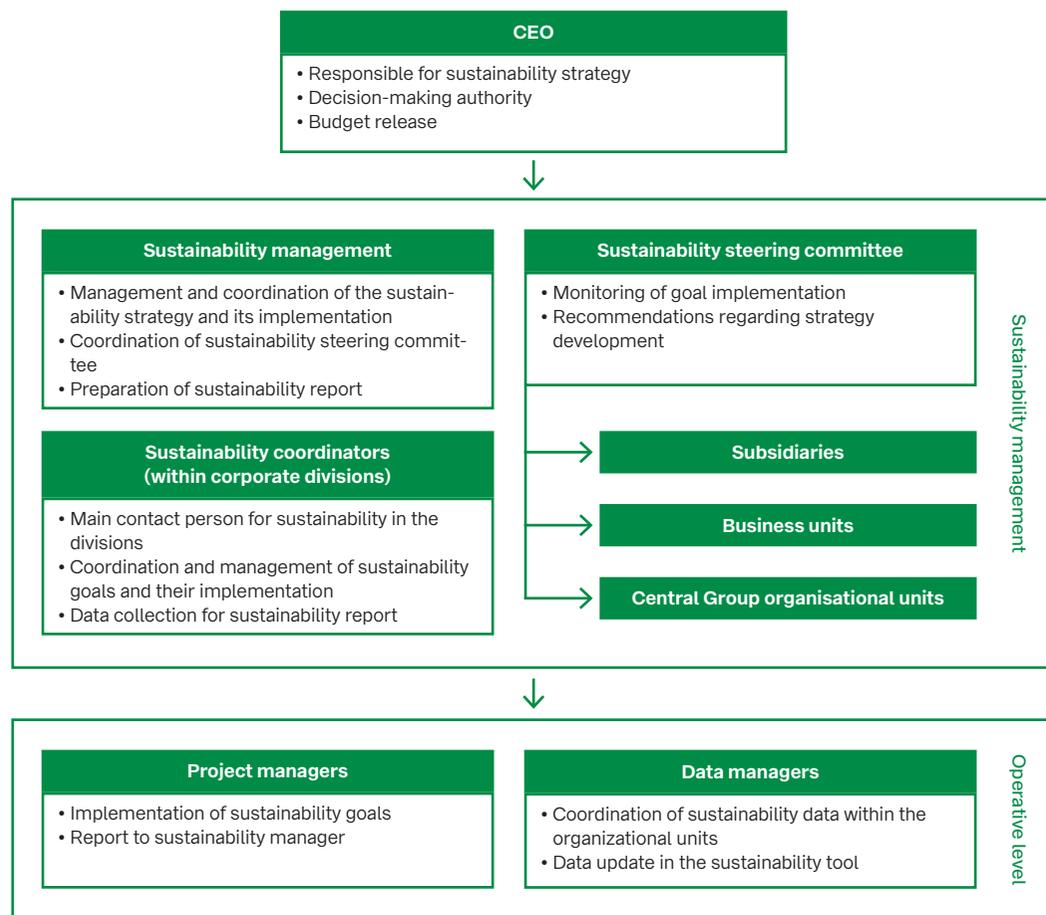
Significant impacts	CSR-RUG aspects	Corresponding areas	Significant performance indicators ¹ §	Content reviewed pursuant to CSR-RUG
Ensure Climate Protection and Production of Sustainable Energy	Environmental concerns	Energy and emissions	Energy consumption and greenhouse gas emissions from energy consumption	Framework used p. 4; business model p. 6/7; process and findings of the identification of aspects and risks to be reported p. 9/10 and 13/14 Management concept p. 43–45 and the identified significant performance indicators p. 47–49
		Transport and logistics	Greenhouse gas emissions from transports with own and leased vehicles (Scope 1)	Management concept p. 55–57 and the identified significant performance indicators p. 57
Protect Terrestrial Ecosystems	Environmental concerns	Waste and waste water	Waste generated	Management concept p. 52/53 and the identified significant performance indicators p. 53/54
Achieve Sustainable Growth and Fair Working Conditions	Efforts to fight corruption and bribery Respecting human rights Employee concerns	Compliance	Number of employees who received training	Management concept p. 18/19 and the identified significant performance indicators p. 20
		Human rights	Not yet defined	Management concept p. 36/37
		Diversity and equal opportunity	Women in management positions	Management concept p. 63/64 and the identified significant performance indicators p. 64
		Training and education	Training hours per employee	Management concept p. 66/67 and the identified significant performance indicators p. 67
Promote Health	Social concerns	Occupational health and safety	Occupational accidents ²	Management concept p. 68–70 and the identified significant performance indicators p. 70
		Commitment to healthy eating	Annual foundation funding	Management concept p. 77–79 and the identified significant performance indicators p. 79
Ensure Sustainable Production, Trade and Consumption	Social concerns	Purchasing	Not yet defined	Management concept p. 27/28

1 In this text, the use of this symbol identifies the significant performance indicators that BayWa has established during its implementation of the German CSR Directive Implementation Act as findings pursuant to Section 289c para. 3 item 2 of the German Commercial Code (HGB). BayWa's significant performance indicators are presented solely in the consolidated management report.

2 The rate of illness was not considered to be a significant performance indicator in 2018 and was not part of the review pursuant to the German CSR Directive Implementation Act. As part of the revision of the materiality analysis in 2019, BayWa plans to review all significant performance indicators with regard to the relevance for the company.

102-46

Organisational structure, sustainability, BayWa Group



Negative impacts

Upon review of the five relevant general issues as identified with regard to potential negative impacts on the environment, employees, society and human rights, the company came to the conclusion that although BayWa may have a negative impact in these respects in its role as a major player in the market, the impacts should not be classified as severe in all cases. Risks to be reported pursuant to Section 289 para. 3 items 3 and 4 of the German Commercial Code (HGB) therefore do not exist at the present time.

Sustainability organisation within the Group

The corporate sustainability division at the BayWa Group's headquarters manages and further develops the topic Group-wide and reports directly to the CEO. The division is supported in its work by the sustainability steering committee, which is made up of representatives from the central organisational units, all business units and the reporting subsidiaries. It meets at least twice a year. All of the business units and companies included in this report have permanent contacts for matters relating to sustainability (see adjacent diagram).

All fully consolidated companies of the BayWa Group were included in the non-financial reporting pursuant to the German CSR Directive Implementation Act for the first time in the past reporting year.

Binding values



Brand mission

A sustainable approach is an important element of BayWa's Corporate Guidelines. The company's brand concept allows it to present partners and customers with a uniform and reliable image of what it stands for: trust, solidity and innovation.

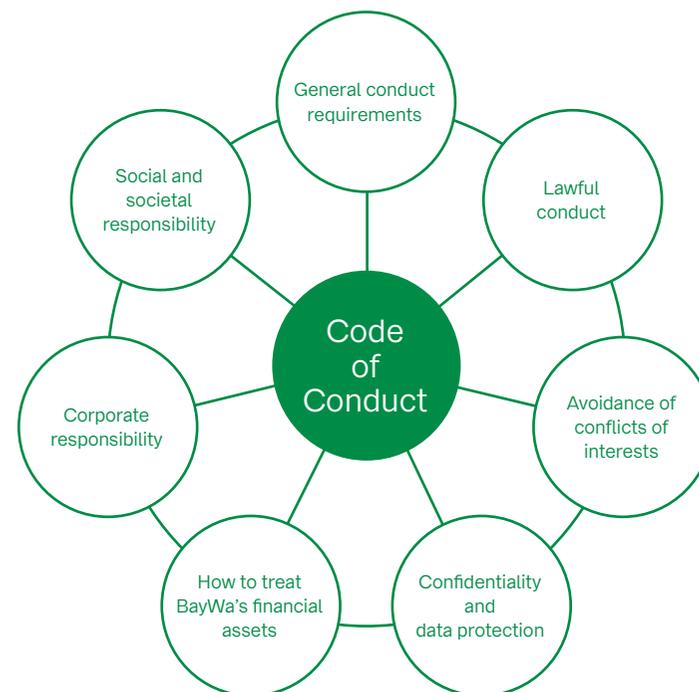
BayWa expects its employees to display ethically and legally impeccable conduct towards suppliers, customers, colleagues and society. The Code of Conduct defines appropriate binding values that apply to all employees, managers and Board of Management members. The Code of Conduct sets the standards for general business conduct, as well as for topics such as legal conformity, the avoidance of conflicts of interest, data protection and the protection of human rights (see adjacent diagram). It represents the minimum standard for all Group companies, both in Germany and abroad. Provided this standard is met, the individual companies are at liberty to implement their own principles governing conduct, examples of which can be seen at RWA AG, which has its own code of conduct; at Cefetra B.V., which has an employee guide including a code of conduct; and at "UNSER LAGERHAUS" and BayWa r.e., which have established their own codes of ethics.

The Code of Conduct calls on

managers in particular to set a good example and to deal with employees fairly and respectfully.

Standards of conduct for managers are defined in BayWa's management policy. It emphasises managers' duty to set a good example and calls on them to communicate with employees in a clear and focused manner, to treat them fairly, to promote a solution-oriented approach and to develop skills. The Corporate Leadership Guide was published on the intranet in the form of a practice-oriented brochure and microsite in 2016.

Components of BayWa's Code of Conduct



Good Corporate Governance



Corporate Governance Report

BayWa regards honest and lawful conduct as a critical prerequisite for long-term economic success. With respect to good corporate governance, the Group uses the recommendations of the German Corporate Governance Code (GCGC) and other sources as guides.

Management and control

BayWa AG is headquartered in Munich. As a result, it is subject to the provisions set forth in German stock corporation law, according to which the Board of Management and the Supervisory Board form a dual-tier management and control structure. By cooperating closely, the two boards ensure sustainable added value.

As at 31 December 2018, the **Board of Management** consisted of six members following Marcus Pöllinger's appointment to the Board of Management with effect from 1 November 2018. The Board of Management manages the company, develops its strategic orientation and ensures implementation. The Board of Management is also responsible for risk management and compliance. It meets at least once a month.

The **Supervisory Board** represents the company with respect to the Board of Management. It appoints Board of Management members, monitors them and advises them on how to manage the company. In the reporting year, the Supervisory Board comprised 16 members between the ages of 50 and 70. In accordance with the German Codetermination Act (MitbG), shareholder and employee representatives also sit on the Supervisory Board to ensure codetermination on the basis of parity. For the purposes of efficient control, the board works in six specialised committees. Personal qualifications are a key factor for appointments to the Supervisory Board and Board of Management. At the same time, BayWa's Supervisory Board makes sure to consider different educational backgrounds and nationalities in selecting members.

BayWa AG is a publicly listed stock corporation (Aktiengesellschaft) subject to codetermination on the basis of parity. For such companies, the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (German Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act – FührungsGleichberG) stipulates a fixed gender quota of 30 per cent women on supervisory boards, which BayWa AG takes into account when making job appointments. On 5 August 2015, the Supervisory Board complied with the additional legal requirement of setting a target for a gender quota concerning the Board of Management and achieving said target no later than 30 June 2017, which it did by setting a target of 0 per cent for the share of women on the Board of Management. The Supervisory Board reviewed the target at the meeting on 2 August 2017. The Supervisory Board again defined a target for women on the Board of Management of 0 per cent by 30 June 2022.

An employment contract with one member of the Board of Management expired by 31 December 2018. There are no plans to create an additional Board of Management remit. As a result, a target for women of greater than 0 per cent would compel the Supervisory Board to include a woman the next time it fills a vacancy on the Board of Management, which would limit the Supervisory Board's flexibility with regard to staffing decisions and the number of potential candidates.

Beyond the legal requirements, in accordance with its Articles of Association, BayWa AG also has a Cooperative Council that provides advice on upholding cooperative interests.

Avoiding conflicts of interest

Board of Management members are obliged to report potential conflicts of interest to the Supervisory Board and other Board of Management members without delay. Such conflicts include any that could occur due to consultancy or board functions carried out for customers or business partners. No acting members of BayWa AG’s Board of Management belong to the Supervisory Board.

The remuneration system for the Board of Management, including key contractual components, is reviewed by the Supervisory Board once a year. Total remuneration consists of a fixed salary, as well as short-and long-term variable components. In 2018, total remuneration for the Group’s Board of Management amounted to €7.8 million (2017: €6.6 million). The remuneration of Supervisory Board members is based on their responsibilities and the scope of their tasks, as well as the Group’s performance. In 2018, total remuneration for the Supervisory Board amounted to €0.9 million (2017: €0.7 million), of which €0.2 million (2017: €0.3 million) was variable.

BayWa informs Supervisory Board members of their duties, rights and obligations, and of relevant legislative changes throughout the year. The Supervisory Board members continue to educate themselves independently. The members of the Board of Management burnish their qualifications by regularly taking part in conferences and symposia.

Management of opportunities and risks

The management of opportunities and risks is an ongoing area of entrepreneurial activity, which is necessary to ensure the long-term success of the Group. It is closely aligned with BayWa’s long-term strategy and medium-term planning, as well as targets for the current financial year. The risk management system is monitored and

managed by a Risk Board, which is headed by the Chief Executive Officer and meets every two weeks to discuss and assess operational opportunities and risks. It monitors business development each month on the basis of Group-wide financial data, and every quarter in the form of a comprehensive business review. All business units have risk officers, who are responsible for implementing the reporting process.

The Board of Management is also responsible for dealing with environmental and social risks and opportunities. Sustainability management is assigned to the Chief Executive Officer. Since 2013, reports on the current status of the company’s sustainability activities have been made to the entire Board of Management during its meetings every six months. The presentation and approval of the Group-wide climate strategy at the Board of Management in late December and the expansion of Group-wide data management were sustainability-related areas of focus in the reporting year.

Climate-related opportunities and risks

Climate change is expected to lead to an increase in the frequency of extreme weather events with an impact on agricultural trade activities and logistics. A long-term shift in climatic conditions could fundamentally change global agricultural production and the flow of goods. Unforeseeable fluctuations in agricultural recording quantities, in some cases significant, constitute a major risk for agricultural operations and trade. Uncertainties in planning with regard to seasonal capacity utilisation mean a burden for BayWa’s regional locations. In logistics, effects such as low water levels lead to a shortage of capacities and therefore to rising transport costs. By contrast, the growing volatility of market prices for agricultural goods, which leads to an increase in market activity and opens the door to leveraging opportunities in agricultural trade, has a favourable effect.



See also the Remuneration Report in the Consolidated Financial Statements, page 43.

Compliance and anti-corruption

Lawful conduct is essential to good corporate governance. Compliance violations can have far-reaching consequences – for the company and for society. As a result, corruption is a major obstacle to development, particularly in poorer countries. As a global trading company, BayWa also operates in countries that face higher potential for corruption and bribery. The associated risks are poorer long-term business performance, possible criminal and civil proceedings, the erosion of corporate culture and a badly tarnished reputation.

Compliance audit areas

	Audit focal points
Antitrust law	Horizontal and vertical relationships (Agreements among competitors or between suppliers and buyers; abuse of dominant position in the market)
	Association and regional meetings
	Tenders
Anti-corruption	Acceptance and giving of gifts
	Events/incentives
	Commissioning of agents/advisors
Other	Advertising subsidies
	Money laundering
	Data protection

Guidelines, structures and processes

The Corporate Compliance organisational unit is responsible for all affiliated companies in which the Group holds a majority share and is headed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer. Corporate Compliance’s activities focus on preventing corruption, antitrust law, combating money laundering, customs/export control and ensuring data protection. Policies, training workshops, guidance and internal investigations all play a role in adhering to these aims. Corporate Compliance and Corporate Audit work together closely in internal investigations. With regard to the Group-wide implementation of compliance rules, officers in the business units and at Group companies with their own operations assist Corporate Compliance by regularly reporting to it.

RWA AG has its own compliance management system headed by a compliance officer. Both Compliance organisations maintain close contact. Since 2015, Corporate Audit has performed Group-wide compliance testing in the audit fields listed adjacent. The subsidiaries RWA Group and T&G Global determine the focal points of audits independently. Compliance risks are identified as part of a risk analysis process that takes place every three years.

Customer concerns, comments and complaints that BayWa receives in person, by telephone, email, fax or post are forwarded directly or through a complaints management system to the department responsible. Employees who suspect unlawful practices can report their grievances at the parent company and the subsidiaries either to Corporate Compliance or an external ombudsman.

They will look into the tip-off and take any necessary action. Since December 2015, employees have also had the option to report any suspicions through an anonymous whistle-blower system. BayWa provides further information on reports on the intranet. All tip-offs received are treated confidentially.

The EU General Data Protection Regulation took effect on 25 May 2018. The data protection management system was expanded as part of the implementation of legal requirements at Group level and ensures a consistent approach in dealing with personal data.

Objectives

Plans are in place to further enhance the existing anti-corruption, antitrust, money laundering prevention and data protection systems. BayWa also plans to continue developing the information security management system, which is scheduled for completion by 2020.

Corporate Compliance's activities

focus on preventing corruption, antitrust law, combating money laundering, customs/export control and ensuring data protection.

Measures

In the years ahead, BayWa will be taking the following measures to further enhance the existing anti-corruption, antitrust, money laundering prevention and data protection systems:

- Introduction of a register of processing operations
- Amendment of contracts with service providers
- Introduction of processes to safeguard the rights of affected parties
- Modification of training programmes
- Amendment of guidelines

The following measures are also planned as part of the further development of the information security management system:

- Modification of training programmes
- Amendment of guidelines
- Performance of IT risk analyses

Furthermore, BayWa ensures a uniform understanding of compliance through targeted communication measures, on-site training workshops and online training modules. All relevant information, such as guidelines, is available on a dedicated intranet page. Compliance training is mandatory for managers and for employees who have direct contact with customers, suppliers or competitors, and it focuses on issues such as antitrust law, anti-corruption, money laundering and data protection. BayWa is also constantly working on its training materials.

Performance indicator and results

During the reporting year, a total of 600 employees completed on-site training on compliance, and 2,204 employees online training on compliance. At BayWa, compliance training covers antitrust, anti-corruption and money laundering topics.

In March 2015 and January 2016, the Bundeskartellamt (German federal antitrust authority) performed searches of various offices at BayWa AG headquarters based on orders from the Bonn district court. One investigation was abandoned without a fine in 2018, whereas the other investigation was continued in the reporting year. The company continues to assist the Bundeskartellamt in resolving the matter. No material fines for failure to comply with laws and requirements were imposed on BayWa in 2018.

Participants at compliance trainings 2018¹



	BayWa AG		Subsidiaries	BayWa Group
	2017	2018	2018	2018
On-site training	470	276	324	600
Online training courses	2,653	1,519	685	2,204

¹ The training interval for on-site training courses is three years, for online training courses two years. For this reason, the information for 2018 is not directly comparable to the information for 2017.

BayWa had also aimed to develop new training options on anti-trust, anti-corruption, money laundering and data protection by 2018. An online anti-money laundering (AML) training course was held in the reporting year; selected credit management staff were invited to join the course. No additional new training options are planned at the present time.

In the reporting year, 6,186 employees

received training on data protection and 6,104 employees received IT security training.

In addition, 6,186 people received training on data protection for the first time in 2018, with 6,104 employees receiving IT security training.

Corporate Audit completed 21 audits at Group companies with their own operations in 2018. Select BayWa business units and Group companies also underwent review at various additional compliance workshops. BayWa found no significant corruption and antitrust risks in the reporting year 2018.

Dialogue with stakeholders

102-40, 102-42, 102-43, 102-44

By surveying more than 2,700

current and potential customers, BayWa wanted to find out how connected to the company customers felt in the reporting year. Among other things, participants were asked to state how sustainable they felt BayWa was. The findings: 59 per cent of those surveyed see BayWa as a sustainable company.

Suppliers, customers, employees,

shareholders and the general public are BayWa's most important stakeholders.

Regular visits, for example by sales staff, are the most important opportunity for contact between **customers** and BayWa AG and its subsidiaries. The Group regularly measures customer satisfaction in the individual business units. At the BayWa subsidiary Cefetra B.V., employees complete surveys following customer contact. At BayWa r.e., customer assessments, for example those collected via hotline, are included in the departments' target agreements. In the Agriculture Segment, for example, more than 200 organic farmers were surveyed on their awareness and perception of BayWa's organic product range as part of a research project in 2018.¹

BayWa cultivates strategic dialogue with **suppliers**, such as through annual audits. During the harvest season, the Global Produce business unit's wholesale markets inform producers about quality requirements, acceptance times and current market conditions. The Agricultural Equipment business unit provides suppliers with new product information and training on a quarterly basis, while BayWa subsidiary Cefetra B.V. is in regular dialogue with its suppliers through various sustainability certification schemes and audits, especially for soya.

BayWa informs its **employees** of current developments through the employee magazine and the intranet. One member of the Board of Management and the head of Human Resources always

take part in employee meetings convened by the Works Council. Cefetra B.V. uses this approach to inform employees four times a year of operational changes. Employees can submit their ideas for improvement through the employee suggestion scheme. A total of 304 ideas were received in 2018 (2017: 375).

BayWa promptly and regularly informs **investors** of the business assets, financial position, performance and earnings of the Group, placing the utmost value on equal treatment. The Board of Management engages in dialogue with analysts and institutional investors at one-on-one meetings and roadshows. Shareholders can address critical concerns at the Annual General Meeting or write to the Board of Management and the Supervisory Board.

In its dealings with the **general public**, the Board of Management's members adopted positions on current topics as part of presentations they gave or in podium discussions. Furthermore, they are represented in some 150 associations, clubs and academic institutions, including DLG e.V., Deutscher Raiffeisenverband e.V. and the Technical University of Munich. Through its participation in industry associations, BayWa r.e. is dedicated to the successful energy transition in Germany. Moreover, activities such as the construction of wind power plants depend on transparency, and timely, intensive dialogue with the community and local authorities.

¹ The findings of the survey were not yet available at the time of publication.



Market

BayWa meets essential basic human needs – food, energy, mobility, warmth and shelter – with its Agriculture, Energy and Building Materials Segments. The Group pools its digital activities in the Innovation & Digitalisation Segment. BayWa meets global challenges, such as climate change and the growing global population, by developing innovative products and services for agriculture. BayWa is constantly expanding its business activities in the fields of renewable energies. The company meets the demand for building materials and solutions for energy-efficient building and renovation through its Building Materials Segment. As an international trading group, BayWa works worldwide with a wide range of business partners from different companies. To ensure responsible procurement, BayWa closely examines its supply chains and takes appropriate measures. By working with local suppliers, BayWa not only takes on responsibility, but also strengthens the region's economy.

- › **Business development and performance**
- › **Procurement**
- › **Value chain overview**
- › **Protecting human rights across the supply chain**

Business development and performance

The BayWa Group's focus on Europe

is increasingly complimented by activities in the United States, New Zealand, Asia, Africa and South America. In 2018, approximately 57 per cent of consolidated revenues were generated abroad.



See also the Group Management Report in the Consolidated Financial Statements, page 1.

In 2018, BayWa benefited once more from its broadly diversified business portfolio. All of the Group's operating segments increased their earnings year on year. In total, the BayWa Group is represented at around 3,000 locations in 41 countries through direct or indirect holdings. More than 850 of these locations are in Germany. The subsidiaries included in this report provide good examples of BayWa's international business:

Cefetra B.V. (Netherlands), RWA Raiffeisen Ware Austria AG (Austria), "UNSER LAGERHAUS" WARENHANDELSGESELLSCHAFT m.b.H. (Austria), BayWa r.e. renewable energy GmbH and T&G Global Limited (New Zealand). They also made a significant contribution to the BayWa Group's earnings before interest and tax (EBIT), which improved by 0.6 per cent to €172.4 million in 2018. The BayWa Group generated revenues of €16.6 billion in the reporting year, marking a 3.6 per cent increase year on year. The consolidated net result decreased by 18.4 per cent to €54.9 million. The Board of Management and Supervisory Board will propose a dividend distribution of 90 cents, as in the previous year.

The Agriculture Segment covers the entire range of agricultural products and services and traditionally generates the largest share of the BayWa Group's revenues. Overall, the Agriculture Segment's revenues increased slightly by 1.7 per cent to €11,015.9 million in the financial year 2018. EBIT improved significantly by €18.1 million to €100.1 million. At the same time, revenues in the BAST business unit fell by 9.1 per cent to €5,286.8 million in the reporting year due to volume factors. The Agri Trade & Service business unit (formerly: BayWa Agricultural Sales [BAV]) comprises the operating resources business and the recording of agricultural produce. With effect from 1 January 2018, it was expanded to include the BAST business

unit's domestic grain and oilseed trading activities. All told, revenues increased by 17.3 per cent to €3,298.8 million in the reporting year. The rise was due solely to the newly added domestic marketing business of the BAST business unit. The Global Produce business unit (formerly: Fruit) saw inconsistent development in 2018. In total, the revenues of the Global Produce business unit increased marginally by 0.3 per cent to €807.9 million. The Agricultural Equipment business unit generated €1,622.4 million in revenues in 2018, marking a 15.9 per cent increase.

At €3,968.5 million, the Energy Segment's revenues for the financial year 2018 were up year on year by €373.7 million. EBIT increased by 12.8 per cent to €96.0 million. Revenues in the conventional energy business increased by 9.4 per cent in the reporting year to €2,438.3 million, above all due to higher oil prices. The Renewable Energies business unit recorded €1,530.2 million in revenues in 2018, marking a 12.0 per cent increase.

At €1,617.5 million, the Building Materials Segment generated a 0.7 per cent increase in revenues in 2018 due to volume factors. EBIT saw disproportionate improvement in relation to sales of 3.3 per cent to €31.1 million. In addition to the positive sales development, ongoing optimisation of the network of locations also contributed to the earnings improvement.

The Innovation & Digitalisation Segment increased its revenues to €10.7 million in the reporting year. Owing to the major investments targeting the development of digital farming solutions and the new BayWa Portal online platform, the Innovation & Digitalisation Segment reported negative EBIT of €12.3 million, as planned.

Revenues in the Building Materials

Segment increased in 2018 thanks to a boom in construction activity and mild weather conditions lasting until December.

The BayWa Group's EBIT

improved by 0.6 per cent to €172.4 million in 2018.

BayWa Group EBIT (in € million)¹

	2017	2018
Agri Trade & Service (formerly: BAV) ²	25.7	5.2
BayWa Agri Supply and Trade (BAST)	7.0	31.1
Agricultural Equipment	19.9	36.6
Global Produce (formerly: Fruit)	29.4	27.2
Agricultural Segment	82.0	100.1
Energy	18.5	23.5
Renewable Energy	66.6	72.5
Energy Segment	85.1	96.0
Building Materials Segment	30.1	31.1
Innovation & Digitalisation Segment	-10.8	-12.3
Other Activities ³	-15.2	-42.5
Total	171.3	172.4

1 Comprises the figures of the Agriculture, Energy, Building Materials, and Innovation & Digitalisation Segments, Other Activities and the transition.

2 The Agri Trade & Service business unit (formerly: BayWa Agricultural Sales [BAV]) comprises the operating resources business and the recording of agricultural produce. With effect from 1 January 2018, it was expanded to include the BAST business unit's domestic grain and oilseed trading activities.

3 Earnings before interest and tax (EBIT) resulting from Other Activities consist of the Group's administration costs, as well as consolidation effects.

In the financial year 2018, the BayWa Group invested a total of €202.0 million in intangible assets (€43.5 million) and property, plant and equipment (€158.5 million), in addition to the acquisitions made (2017: €179.5 million). The investments made in the financial year were primarily for the purpose of repair and maintenance of buildings, facilities (in construction) and office fixtures and fittings, as modern locations and seamlessly operating facilities are a precondition for efficient logistics processes.

Taxes, subsidies and political donations

The BayWa Group's income tax expenses increased by 7.4 per cent year on year to €37.7 million in the financial year 2018. Taking income tax into account, the BayWa Group generated consolidated net income of €54.9 million in the financial year 2018, a year-on-year decrease of 18.4 per cent (2017: €67.3 million). In the reporting year 2018, BayWa AG made donations to political parties in Germany totalling €8,500 (2017: €19,000). Every donation is subject to review by the Board of Management, which discusses the proposal in a transparent manner and logs the decision.

Changes in the reporting period

BayWa pressed ahead with its further strategic development in 2018 through a number of measures. In the Agriculture Segment, the BAST business unit pushed ahead with the speciality strategy of expanding its range to include special grains and services by acquiring Britain's Premium Crops Limited and the Netherlands-based Royal Ingredients Group International B.V. In the Agri Trade & Service business unit, the focus was on consolidating and optimising the location structure. Furthermore, sales were geared

Agro Innovation Lab (AIL)

is the joint innovation platform of BayWa AG and RWA. Since 2016, Agro Innovation Lab has organised the Acceleration & Market Entry programme with the goal of discovering innovations for agriculture at an early stage and supporting up-and-coming entrepreneurs in further developing their solutions and marketing them nationally and internationally.

towards integrated solutions, and the product range was expanded to include organic products, among other things. The focus in the Global Produce business unit was on expanding the range of fruit and vegetable specialities. Moreover, the German fruit operations have been climate-neutral since June 2018. In the Agricultural Equipment business unit, market share in the core regions was increased through targeted product range expansions. The presence in the Netherlands was strengthened by acquiring three Van Arendonk B.V. locations with effect from 1 January 2019.

In the Energy Segment, the global expansion of renewable energies was further advanced as one of Europe’s largest providers. In Spain, BayWa r.e. built Don Rodrigo in 2018. With an output of 174.4 MW, Don Rodrigo is BayWa r.e.’s largest solar power plant to date, and the first one that is not dependent on any government subsidies. In the Netherlands, BayWa r.e. acquired 70 per cent of the shares in GroenLeven, the leading project developer for solar power plants, in early 2018, making it one of the ten largest solar project developers in the world. DMSolar, the leading Mexican provider in solar trading, was acquired in October to promote further expansion in Latin America. New products and services for electromobility were introduced in the conventional energy business. Electric car customers can charge their vehicles using the BayWa filling station card at over 8,000 charge points in Germany and some 35,000 charge points in Europe. In the lubricant business, BayWa launched the new Interlubes digital platform in March 2018.

In the Building Materials Segment, BayWa acquired 90 per cent of the shares in Bölke Tiefbaustoffe für Ver- und Entsorgung GmbH in Saxony-Anhalt in July 2018, thereby strengthening the civil engineering portfolio in particular. As part of the positioning as an integrated multi-specialist, the online range was expanded by adding a room designer and the “Mr+Mrs Homes” property configurator. Furthermore, BayWa created a quality seal for tested low-emission building materials in 2018 with the BauGesund seal.

In the Innovation & Digitalisation Segment, BayWa and RWA Raiffeisen Ware Austria Aktiengesellschaft (RWA) created the Agro Innovation Lab (AIL) innovation platform. Start-ups with innovative business ideas for agriculture had the opportunity to apply for the acceleration programme organised by AIL. In 2018, BayWa Venture GmbH acquired a stake in four start-ups in order to guide their ideas to maturity.

What is VariableRain?



An increase in heat waves and dry weather is leading to harvest losses worldwide and is making more artificial irrigation necessary. VariableRain, an application from BayWa, is designed to encourage the efficient use of water and keep an eye on crops’ individual water needs. VariableRain can be used to create irrigation maps. The satellite-based service can help save water, energy and time, and crops receive just the right amount.

Initiatives of our subsidiaries

T&G Global

“Green” tomatoes in New Zealand ↗

With its “Beekist” line of tomatoes, T&G Global, the largest producer of tomatoes in New Zealand, is placing its faith in natural pollination, environmentally friendly pest control and irrigation using rainwater. The packaging of the “Beekist” tomatoes also gives consumers tips on the best way to dispose of the recyclable material.



BayWa r.e.

Construction of Europe’s first non-subsidised large-scale solar power plant completed ↗

BayWa r.e. finished building the “Don Rodrigo” solar park south of Seville in late 2018. The project is not dependent on any government subsidies. More than 500,000 modules that generate over 300 GWh of solar power a year were constructed on a site measuring 265 hectares – the equivalent of around 190 football pitches. Thanks to BayWa r.e., the project marks a milestone in the history of the European energy transition.

agromed

Focus on animal welfare ↗

Animal welfare is becoming an increasingly important social issue and is directly fuelling demand for innovation solutions at companies that produce meat. Thanks to DryCell®, a wood-based bedding material for piglet stalls with a hygienic effect, the RWA subsidiary agromed Austria GmbH is doing its part. The material dries lying surfaces quickly, thereby helping protect the animals’ skin. Through highly effective feed additives, the company is also helping promote antibiotic-free animal nutrition worldwide.



BayWa and RWA

Laboratory for ideas of the future ↗

The Agro Innovation Lab produced a number of forward-looking ideas in 2018. The BayWa and RWA innovation platform supported six start-ups with the goal of expanding their business nationally and internationally. Landpack, a Munich-based company that develops food packaging based on stalks of straw, was among the recipients.



“UNSER LAGERHAUS”

Taking a stand against plastic

Since 2018, the “UNSER LAGERHAUS” home and garden centres have been replacing conventional plastic bags with the “Kraftsack!”, a paper bag designed to raise customers’ awareness of the consumption of packaging materials. The Kraftsack! is easier to dispose of and biodegrades faster than its plastic counterparts.



BayWa AG

Harvesting tomatoes in the desert ↗

The joint venture of BayWa and Al Dahra in the United Arab Emirates harvested tomatoes under the “Mahalli” private brand for the first time in September 2018. They ripened in a climate-controlled greenhouse and are destined for the local market, where demand is high. Local production shortens transport routes, saves CO₂ and increases the country’s self-sufficiency. State-of-the-art climate-controlled greenhouses help reduce resource consumption by up to 70 per cent while increasing yields by a factor of ten compared to outdoor production.

Procurement

In the feedstuffs product area, ecological criteria, such as having a certified environmental management system in place or offering resource-friendly products, are included in the supplier evaluation process. In 2018, 40 feedstuffs-related suppliers underwent assessment based on ecological considerations.

With an annual procurement volume of more than € 4 billion, the impact that BayWa AG's purchasing behaviour has on manufacturing conditions is by no means insignificant. If serious violations of compliance with environmental and social standards occur here, they could tarnish BayWa's reputation. During the reporting year, BayWa AG worked together with some 30,000 suppliers (2017: 30,414). It procured raw materials, goods and services worth € 4.6 billion from them in 2018 (2017: € 4.4 billion).¹

Guidelines, structures and processes

Procurement is organised centrally at BayWa in the Agriculture, Energy and Building Materials Segments to optimise supplier structures. The business units are independently responsible for implementing the procurement processes. The subsidiaries have also set up independent procurement structures and processes. As a result, it is possible to strengthen local procurement structures, which positively impacts the environment and society in most instances, thanks to shorter routes and optimised processes. The business units bear responsibility for the precise details of sustainability efforts concerning procurement.

In BayWa AG's Conventional Energy business unit, a purchasing and management manual regulates procurement. Furthermore, the Conventional Energy business unit requires its suppliers to provide a self-disclosure in line with the quality management requirements. The Global Produce business unit has implemented a quality management system that includes a continuous improvement process. Transparency, traceability and optimum process management play a

key role in particular in the food industry with a view to sustainability. In the event of non-conformance, the quality management system ensures that deviations are registered, and that steps towards improvement are defined and taken. In addition, suppliers make a pledge as part of a self-disclosure obligation to comply with relevant laws, standards, and quality and safety requirements.

The specifications stipulated by international and segment-specific certification standards also serve as guidelines for BayWa and its subsidiaries for responsible procurement processes. For example, RWA AG and "UNSER LAGERHAUS" consider environmental certificates, such as the Forest Stewardship Council (FSC), or labour standards, such as those from the Business Social Compliance Initiative (BSCI), when selecting their suppliers. With respect to the BSCI, "UNSER LAGERHAUS" works with Austrian Franchise System GmbH (AFS). BayWa AG's feedstuffs product segment has also incorporated sustainability criteria into the supplier evaluation process. In general, the business units bear responsibility for vetting suppliers.

BayWa subsidiaries also look for their own solutions geared towards the requirements of specific supply chains. In 2008, for example, Cefetra B.V. set up the Certified Responsible Soya (CRS) standard. This standard has since become an important certification guideline for the European feedstuffs industry and for farmers in South America. The farmers are subject to review each year as part of an audit.

¹ Includes the suppliers (plus farmers) for all BayWa AG segments with a respective purchasing volume of more than €1,000.

In 2017, T&G Global also began crafting a strategy for partnering with producers in order to establish ecological and social standards that go beyond the minimum requirements of GLOBALG.A.P. and New Zealand Good Agricultural Practice (NZGAP) respectively. The plan is to continue pressing ahead with this project in 2019 and, once it has been completed, to integrate the results into the business processes.

Objectives

One of BayWa’s sustainability objectives is to work towards compliance with environmental and social standards in the supply chain. The company plans to develop a Code of Conduct (CoC) for suppliers based on BayWa AG’s CoC for this purpose, which all suppliers will sign in the long term.

BayWa also intends to deepen the workshops on sustainable supply chain management started in the reporting year and expand them to further business units.

As part of the Nachhaltige Lieferkette

(sustainable supply chain) pilot project spearheaded by Bayerisches Landesamt für Umwelt (the Bavarian environment agency), BayWa Obst GmbH partnered with other German companies in 2017 to design and optimise a sustainable supply chain.

Results

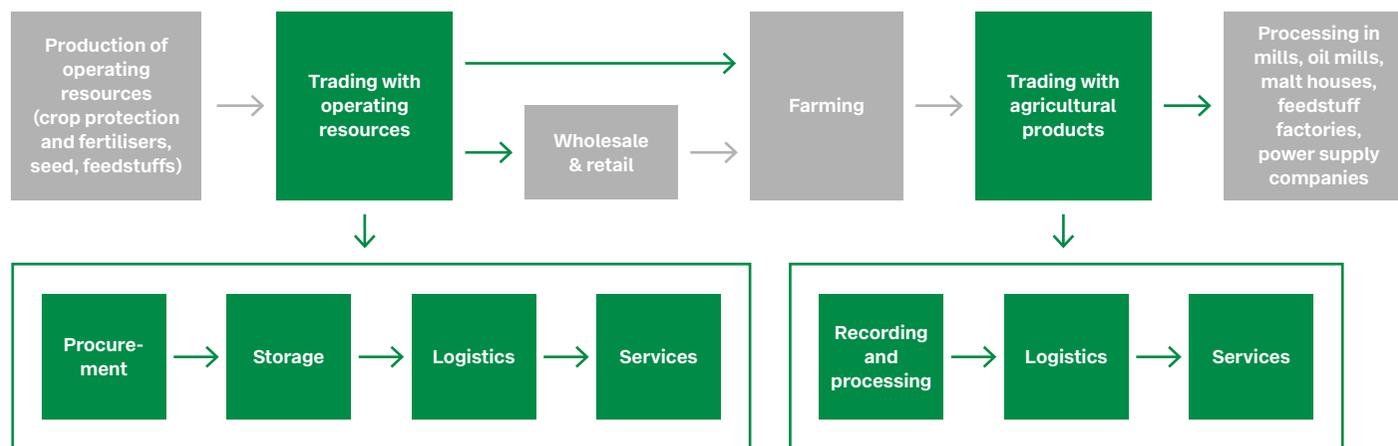
Compliance with strict environmental and social standards can be assumed for regional¹ suppliers. In 2018, orders from BayWa AG’s German locations were mainly awarded to regional suppliers (such as tradespeople and service providers). In the unit Agri Trade & Service, regional suppliers accounted for approximately 86 per cent (2017: 89 per cent). BayWa r.e. Bioenergy GmbH purchased 95 per cent of its renewable raw materials for biogas plants within a 20 kilometre radius of the corresponding plants. BayWa r.e. Green Energy Products GmbH purchased 76 per cent of its products in its German home market. Altogether, 71 per cent of the wood pellets purchased by the Energy business unit are from southern Germany, of which more than half of the purchased wood pellets are PEFC certified. More than 80 per cent of the fertilisers sold in the Agriculture Segment are manufactured in Europe in accordance with strict social and environmental standards.

As part of the Nachhaltige Lieferkette (sustainable supply chain) pilot project spearheaded by Bayerisches Landesamt für Umwelt (the Bavarian environment agency), BayWa Obst GmbH partnered with other German companies in 2017 to design and optimise a sustainable supply chain. The Building Materials business unit has now also taken a closer look at its supply chains. Last year, experts from the individual product areas met at a workshop to discuss opportunities and risks in the supply chain, identify potential fields of action and derive initial sustainability activities. The workshops are to be expanded in 2019 and rolled out in other BayWa business units.

¹ BayWa AG and its subsidiaries define regionality differently.

Value chain overview

BayWa Agri Supply & Trade (BAST) and Agri Trade & Service value chain¹



■ BayWa AG
■ Other players

BayWa Agri Supply & Trade (BAST) and Agri Trade & Service value chain

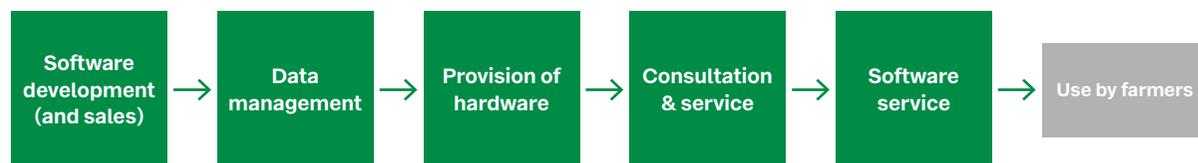
BAST and Agri Trade & Service help their agricultural customers maximise yields and conserve resources with sustainable services, such as innovative products and high-performing crop varieties that help them maintain the fertility of land, and through an extensive sales and consulting network.

BayWa has also offered organic farmers a special organic range of seed, feedstuffs, operating resources, barns and stables, and agricultural equipment through its BayWa Eco concept. This concept is constantly being expanded in line with our customers' needs, which is one of the reasons why BayWa has been a member of the Biokreis organic association since mid-2018.

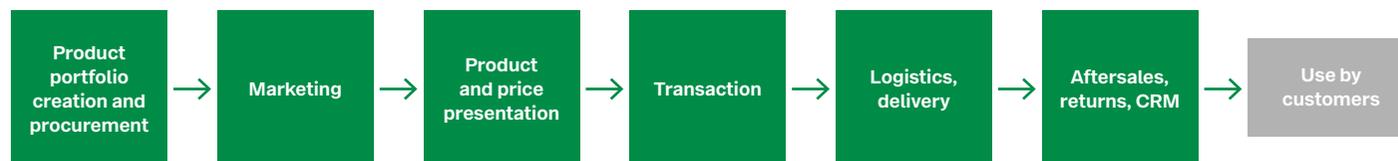
¹ Effective 1 January 2018, BAST's domestic marketing activities were taken over by the BayWa Agricultural Sales (BAV) business unit, which was renamed Agri Trade & Service.

Digital Farming value chain

Smart Farming



E-business



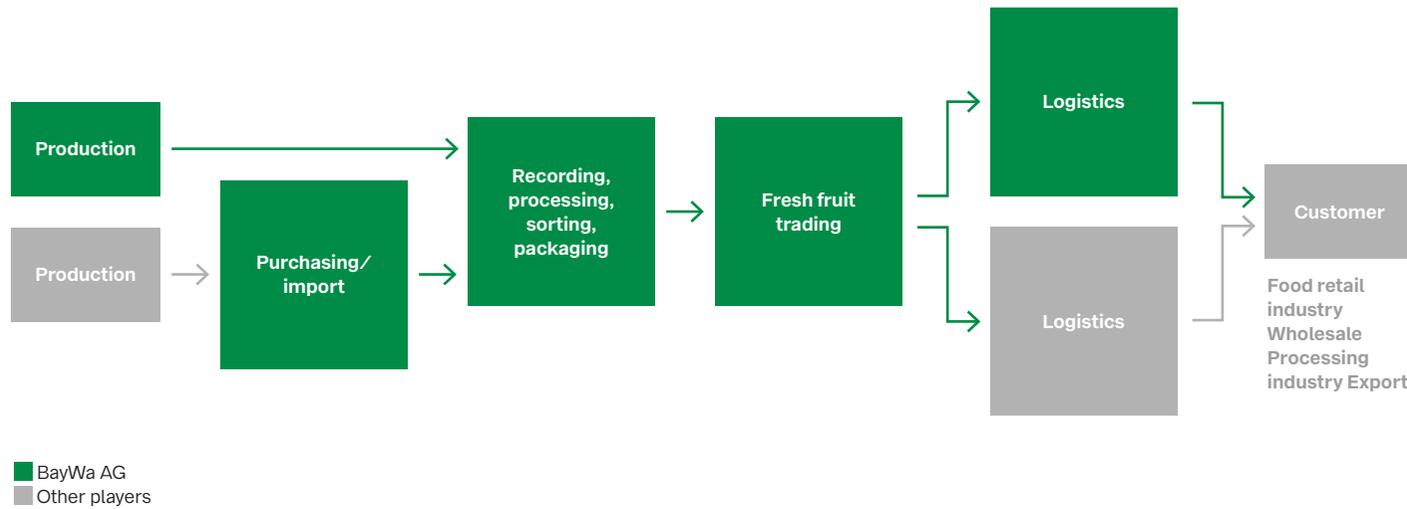
■ BayWa AG
■ Other players

Digital Farming value chain

By creating its own development segment under the name Innovation & Digitalisation as an umbrella for its digital farming activities, BayWa has underscored the strategic importance of digitalisation for the entire company. Digital farming is focused on the development and marketing of digital solutions for agriculture and eBusiness (BayWa Portal).

Together with the subsidiary FarmFacts and VISTA, which have experience as a systems service provider, BayWa is already able to offer a wide range of innovative services: satellite data is already being used to advise test farms in sub-Saharan Africa on the management of farmland from a base in Germany.

Global Produce value chain

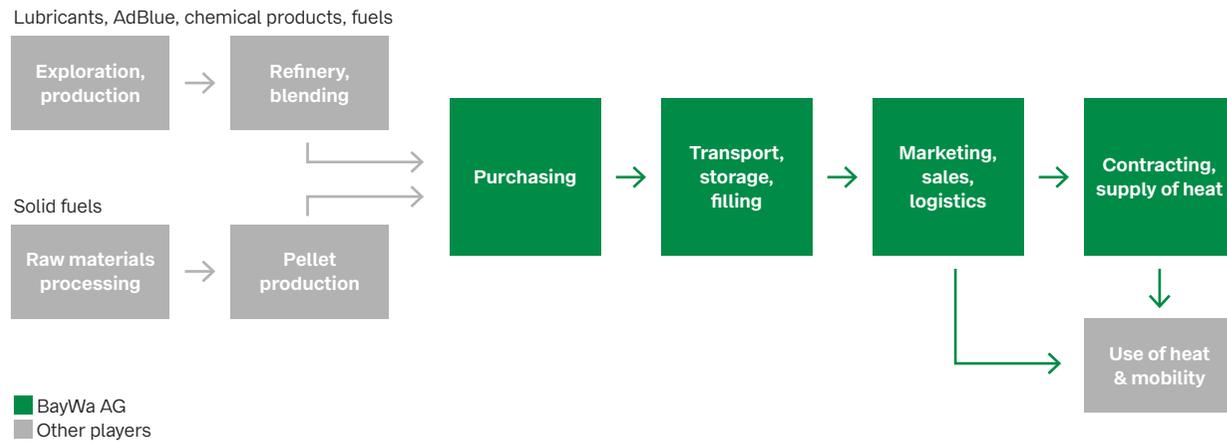


Global Produce value chain

The Global Produce business unit networks the various players in the fruit trading business worldwide, pools competences and offers its customers an attractive, high-quality product portfolio. Global Produce is synonymous with solid alliances built on trust and long-term partnerships in the value chain, allowing it to create the basis for future-oriented growth.

From integrated production to organic farming, in the southern and the northern hemisphere alike, the company is always an expert partner in fruit trading, making it possible to know where products come from.

Conventional Energy value chain

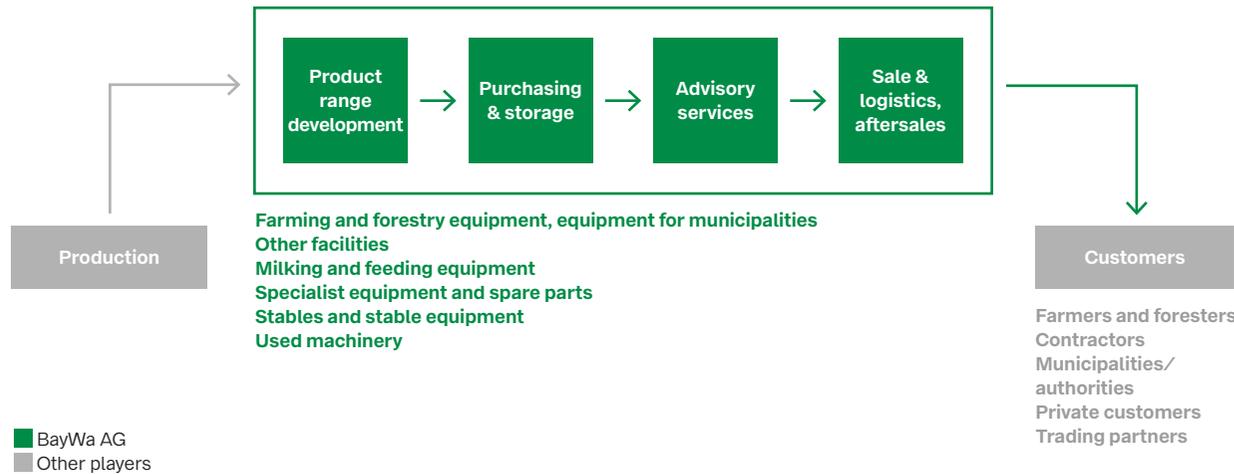


Conventional Energy value chain

BayWa introduced climate-neutral delivery of heating oil, wood pellets and diesel in July 2017 to do its part to protect the climate. By taking targeted action, such as smart route planning, we are trying to avoid CO₂ emissions and continue reducing those which are generated. BayWa offsets unavoidable emissions through carbon credits.

“Vita holz” wood pellets traded by the Energy business unit have been 100 per cent PEFC certified since September 2016. Sawmill by-products and wood pellets are purchased in line with ENplus and PEFC criteria.

Agricultural Equipment value chain

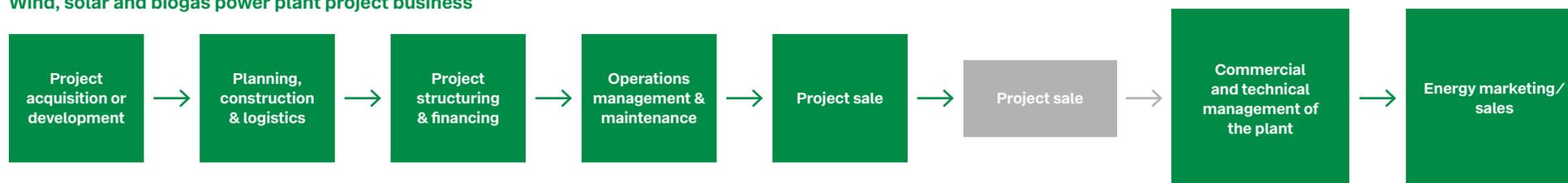


Agricultural Equipment value chain

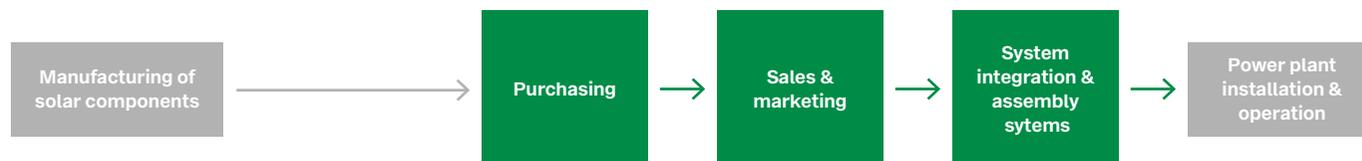
The Agricultural Equipment business unit keeps its impact on the climate and environment to a minimum through the smart use of resources. For example, the Agricultural Equipment business unit is hard at work developing a machinery and device programme for mechanical field work for organic farmers. IT-supported guidance systems in tractors and harvesting machines in the field enable the optimum, resource-friendly use of vehicles.

Renewable Energys value chain – BayWa r.e.’s business areas

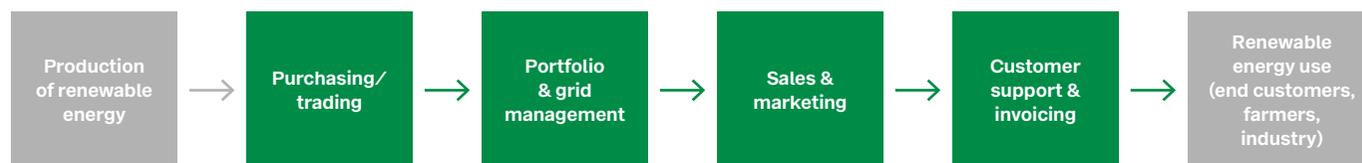
Wind, solar and biogas power plant project business



Solar wholesale trade



Trade in renewable energy



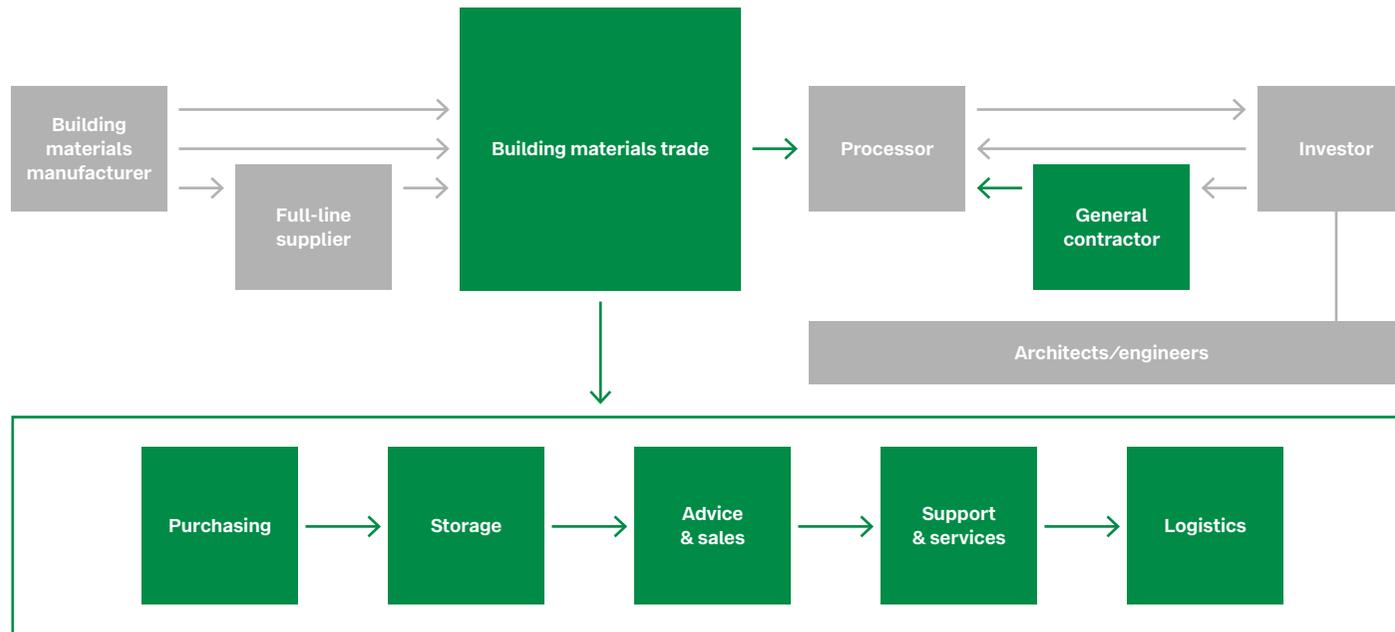
■ BayWa AG
 ■ Other players

Renewable Energys value chain – BayWa r.e.’s business areas

BayWa r.e., a wholly owned subsidiary of BayWa AG, is responsible for the BayWa Group’s renewable energy business. BayWa r.e. acts as a holding company for various business interests in the areas of solar energy, wind energy, bioenergy, services and energy trading. Today, BayWa r.e. is an internationally leading photovoltaic systems supplier and supplier of decentralised energy solutions.

BayWa r.e. customers benefit from a wide range of electricity, gas and biomethane products and services. The company combines the value chains presented here to create specific solutions for end customers of BayWa r.e.’s corporate customers.

Building Materials value chain



■ BayWa AG
 ■ Other players

Building Materials value chain

Through its portfolio of low-emission building materials and related services, the Building Materials business unit makes healthy construction and modernisation a reality for property owners and workers. The Building Materials business unit provides the necessary foundation for optimised overall designs for energy-efficient buildings.

Regarding the trade in natural stones, BayWa focuses on TÜV Rheinland-certified goods that do not involve child labour. Granite is imported from Poland, the Czech Republic and Turkey instead of China to shorten transport routes.

Protecting human rights across the supply chain

BayWa Obst GmbH and TFC Holland

B.V. are registered members of Sedex (Supplier Ethical Data Exchange).

TFC Holland B.V. is also a member of the BSCI and is certified as a trader of tropical fruit and vegetables according to the Fairtrade Standard.

BayWa purchases commodities, goods and services from suppliers in 43 countries (2017: 40). The majority of suppliers for BayWa AG and its Group subsidiaries are based in Europe and the United States, where strict laws and controls ensure the observance of human rights.¹ However, a small percentage of suppliers are based in countries that harbour the risk of human rights violations.

Guidelines, structures and processes

BayWa is committed to upholding its due diligence obligations concerning human rights as laid out in the German federal government's National Action Plan for Business and Human Rights, and is also subject to other national regulations, such as the Modern Slavery Act in the UK. The entire Board of Management bears responsibility for dealing with risks from potential human rights violations. As a result, such risks are dealt with under sustainability management.

A careful supplier selection process is key to avoiding human rights risks at BayWa. As part of a joint process, the Corporate Compliance and Corporate Sustainability organisational units conduct annual business partner screening with regard to all suppliers of BayWa AG whose headquarters are located in a high-risk country according to Transparency International's Corruption Perceptions Index.

If human rights violations make it necessary to cut business ties with a given supplier, notification is sent to the operating unit with said ties. Corporate Controlling is responsible for carrying out delisting, while Corporate Audit inspects these activities regularly.

In the BayWa Global Produce business unit, approval of suppliers is based on a written self-disclosure made by suppliers in cooperation with quality management and sales. With regard to suppliers, it is expected that fruit producers are certified according to the social guidelines of QS Qualität und Sicherheit GmbH (Voluntary QS Inspection of Working and Social Conditions [FIAS]) or the GLOBALG.A.P. GRASP module. Family companies with no external employees who are not part of the family are excepted from this requirement.

In addition to the RWA Group's Code of Conduct, the Group guidelines for the procurement of goods and services define principles for the protection of human rights, among other things. RWA AG and "UNSER LAGERHAUS" take labour standards, such as the Business Social Compliance Initiative (BSCI), into account when selecting suppliers.

¹ The majority of suppliers for BAST business unit are based in Europe and South America.



For further information on the Standard CRS (Certified Responsible Soya) of Cefetra B.V., see the CRS Standard website

Objectives

To further ensure that suppliers respect human rights, BayWa AG has set more objectives that it aims to achieve by 2020:

- Developing a Code of Conduct for suppliers based on the BayWa Group's Code of Conduct
- Medium-term objective: Getting ten per cent of key suppliers to sign
- Long-term objective: Expansion to all suppliers
- With regard to the near term, BayWa plans to put greater focus on human rights in Group-wide risk management activities in 2019.

Measures and results

BayWa implements various measures in the area of human rights. The process for the BayWa Group is currently being developed by Corporate Sustainability. The software solution used is supplied by an external software provider specialised in business partner screening. The screening results are then evaluated by Corporate Sustainability and Corporate Compliance organisational units with a view to human rights. During the reporting year, all suppliers from high-risk countries directly commissioned by BayWa AG were included in supplier screening. The screening yielded no indications of human rights violations.

At BayWa r.e. Green Energy GmbH, all investment agreements contained human rights clauses in the reporting year. In 2018, Cefetra B.V. launched a social compliance project. Human rights are also covered by the internally developed CRS (Certified Responsible Soya) standard. Observance of human rights is also assessed in the scope of annual audits of farmers in South America.



Environment and Climate

By way of its actions, BayWa has an influence on nature and the environment through its Agriculture, Energy and Building Materials Segments in its role as a globally operating group. BayWa intends to reduce the impact on the environment to the greatest extent possible through proactive environmental management. As a trading company, it bears a special responsibility in the areas of transport and logistics. By making processes as efficient as possible in the trade of goods, it conserves resources and avoids waste, thereby reducing its environmental footprint. In 2018, BayWa also paved the way to significantly reducing its emissions by 2025 by approving a climate strategy.

- › **Environmental management**
- › **Energy consumption and greenhouse gas emissions**
- › **Waste and waste water**
- › **Transport and logistics**

Environmental management

BayWa also provides its employees

with regular training on how to handle environmentally relevant products, the transport of hazardous goods and the storage and delivery of hazardous substances.

The Corporate Environment, Health & Safety (EHS) organisational unit is responsible for implementing the environmental management structure. It ensures that all BayWa companies comply with national requirements on environmental protection and reports regularly to those in charge in the business divisions and at Group companies on important developments.

There are various other standards in place at BayWa pertaining to such things as the transport of dangerous goods, incident law, ambient pollution protection, chemical and hazardous materials storage as well as water law, which aim to prevent environmentally harmful incidents and to limit their scope in case of damage. Corporate EHS has been tasked with standardising and further developing these standards.

For an overview of additional

environmental management objectives and results, please refer to the management approaches towards energy and emissions (page 43), waste and waste water (page 52) and transport and logistics (page 55).

Objectives, measures and results

In 2019, the BayWa will continue to pursue the objectives of further increasing employee awareness of issues and challenges in the area of environmental management and improving the training rate. To that end, the established seminar concept in the area of environmental management will be further developed.

- 78 training courses on handling environmentally relevant products, the transport of hazardous goods, and the storage and delivery of hazardous goods (2017: 69 training courses)
- 1,300 employees that participated in these training courses (2017: 1,380)

BayWa also has the objective of digitising all environmentally relevant documentation and simplifying processes for the implementation of environmentally relevant measures.

During the reporting year, BayWa AG invested some €6.1 million altogether in environmental protection and biodiversity measures (2017: roughly €6 million). The Group’s subsidiaries spent a total of roughly €1.9 million on such measures. All told, the subsidiaries received 25 complaints related to environmental issues in the reporting year. No reliable complaints management data for 2018 is currently available for BayWa AG due to a switch in the data collection system. This data is to be reported retroactively for 2018 as part of the sustainability reporting process for 2019.



BayWa as a research partner: protection for apples, pears and more

The challenges fruit farmers face have increased dramatically. Extreme weather and longer growing seasons necessitate more protection for crops. At the same time, new conditions for pest control call for new methods. In reaction to this, Kompetenzzentrum Obstbau Bodensee (Lake Constance fruit farming competence centre) has been testing various mechanical conservation methods since April 2018 as part of a research project supported by BayWa. The main objective is to find out how to further reduce the use of crop protection products while achieving good yields and high-quality fruit.



Prof. Klaus Josef Lutz, Chief Executive Officer of BayWa AG

INTERVIEW

BayWa's climate strategy

Climate change is one of the greatest challenges of our time. As an internationally operating trading and logistics company in the fields of agriculture, energy and building materials, BayWa AG is impacted by climate change and its effects to a particularly great extent, but is also capable of making a major contribution to limiting them. In the reporting year, BayWa AG developed and approved a climate strategy. The goal is to reduce the greenhouse gas emissions of the Group's locations, company cars and logistics by 22 per cent compared to 2017 by 2025. Prof. Klaus Josef Lutz, Chief Executive Officer of BayWa AG and the Board of Management member responsible for Corporate Sustainability, spoke about the Group's commitment to climate protection, as well as the steps and challenges on the path to achieving its goals.

Mr Lutz, BayWa has just approved its first climate strategy. What is the exact goal?

Lutz: The core goal is to reduce our CO₂ emissions attributable to energy and mobility – two core areas – by 22 per cent compared to 2017. And we plan to do so by 2025.

Climate protection has long been a popular topic, especially since the Paris Climate Agreement set its targets back in 2015. Many companies are setting their own climate targets. What sets BayWa apart from the pack?

Lutz: First of all, it's good to see that many are trying to do something. Still, I'm pleased and even a little proud to say that we are one of the few players to date to commit to using the report by the UN-sanctioned IPCC that was published as guidance in 2018. The report believes that a 1.5-degree path is necessary and realistic. We at BayWa have decided to work towards this target and plan to support this aim with all our might.

What does that mean exactly?

Lutz: Not only have we set ourselves a goal, we are supporting it through further, clearly measurable additional targets. For example, we want to reduce emissions and reduce our use of energy specifically: BayWa plans to reduce its use of energy by 22 per cent by 2025. This energy use will be placed in relation to earnings before interest, tax, depreciation and amortisation, or EBITDA.¹ We want to serve the rising need for products and services from BayWa, but not at the expense of the climate. For us, this means that we will constantly work on growing, but will decouple our growth from the use of energy. To achieve this goal, we will be taking a number of measures related to mobility and buildings. We are talking about things such as optimising the routes we travel, modernising our fleet and making greater use of e-mobility, as well as insulation, energy-efficiency measures for buildings and the use of modern, efficient heating and cooling systems.

¹ Earnings before Interests, Taxes, Depreciation and Amortisation

“Credibility and sustainability go hand in hand.”

It goes without saying that this will be accompanied by the corresponding investments. As another, very important element, we will focus on the increased use of renewable energies. By 2020, 100 per cent of BayWa’s electricity needs will be covered by renewable energies.

What role do renewable energies play in the climate strategy?

Lutz: A very special one. We have been involved in the energy transition from the very start – first with Renerco, now with BayWa r.e. From a business perspective, we take a rather pragmatic view of the whole issue. Renewable energies are in ever-higher demand, both nationally and internationally. At the same time, we are leveraging this to create greater independence from fossil fuels for society as a whole. It’s a classic win-win situation, which is why we want to continue systematically down the chosen path. As part of the climate strategy, we have also set ourselves the additional target of building and/or operating new renewable energy generation plants with 10 gigawatts of output worldwide by 2025. That’s enough to supply 6 to 7 million households. There’s one thing that’s particularly important to me in this process: not only do we provide clean energy, we as BayWa are also showing the world new ways to make the expansion of renewable

energy even more profitable going forward and are certainly providing input for other players by doing so.

That all sounds very positive indeed. But as they say, you can make anything sound possible on paper – even the targets you formulate. How will you and BayWa make sure that you actually achieve the goals?

Lutz: Credibility and sustainability go hand in hand. For me, sustainability therefore also means making only those promises that you can keep. That’s why we have left nothing to chance when it comes to calculating our reduction campaigns. Our climate road map has been drafted in line with the latest findings in climate research supported by the Science Based Targets Initiative.

Experience shows that climate protection and sustainability work at a company only if everyone is on board. How is that supposed to work at a group as far-reaching and intricately structured as BayWa?

Lutz: Although this might be our first comprehensive climate strategy, we’re not starting completely from scratch. The climate strategy is embedded in our sustainability strategy, which we have been pursuing for a number of years already. But you’re right: the challenge is natu-

rally bigger at a group such as BayWa, with its many divisions, than at a company that focuses on just one product or one product group. And it’s also correct that we can only achieve our targets if everyone is on board. We have set up a further committee that optimally complements the long-established, interdepartmental sustainability steering committee: the climate working group. It already participated in the development of the climate strategy and has a more operative focus. Our climate targets are rooted in a solid foundation that includes and involves all of the key departments. Anything else would be unrealistic.

We’ve spoken about ambitious goals, the steps to get there and potential challenges. But the question remains: why is BayWa committed to this cause?

Lutz: It’s important to take a look at BayWa’s history. Since BayWa was founded in 1923, we have been motivated by the basic human need for food, shelter and mobility. These fields of action have always been essential to a sustainable future. As a result, BayWa bears a special responsibility. At the same time, we also have almost 100 years of experience and expertise in these very fields. A second important aspect is reflected in our motto: “United for success”. Cooperation, trust and partnership are the key to achieving BayWa’s business targets as well as the global sustainability objectives. We are focusing on connectivity and networking, we are taking

on a pivotal role in the market, and we are capable of exerting our influence in the fields of food, energy and mobility well into the value chain, as I have already mentioned.

Still, BayWa is ultimately a company that wants to make a profit and grow ...

Lutz:... of course! But that doesn't contradict what I've just said. On the contrary, I see sustainable business as a way of taking on global responsibility. Our commitment is the result of a conviction that companies can only remain successful if they transpose global relationships and developments into their actions and take responsibility for the impact of their business activities. In other words: if you don't do sustainable business, you might not have any business left to do tomorrow.

Speaking of personal dedication, what does climate protection mean to you?

Lutz: I can sum that up for you in just a few words: I believe that climate change is the greatest human problem of the present day. And speaking for one of our core areas of business, what does it mean for agriculture? Only through the global trade of goods was it possible in the summer of 2018, with its drought and harvest failures, to avoid the kind of hunger and famine in central Europe that would undoubtedly have occurred

200 years ago. However, climate change is a global phenomenon. If the weather changes everywhere to such an extent that failed harvests become more common, then we will no longer be able to simply solve our problems by importing more. What will happen then? The problems are complex, and we would be well advised to take this complexity seriously and to differentiate rather than looking for easy fixes. So I can't entirely separate my personal thoughts on climate change from those I have as a chief executive officer.

Climate protection is one thing. But despite all the efforts, it's not going to be possible to stop climate change entirely. How is BayWa reacting to that?

Lutz: Adapting to climate change requires precise analysis. Our partners here include the Potsdam Institute for Climate Impact Research, and we're examining every aspect carefully. Because we're depending on everyone to be on board here too, we're sharing our insights with our customers, partners and other stakeholders. We will lever-

age the climate strategy to prepare ourselves proactively for the economic and environmental consequences of climate change and to increase the climate resilience of BayWa, its customers, its partners and society as a whole.

Climate change and the demands of climate protection are subject to constant change. Could you give us a brief preview of how the climate strategy is set to evolve going forward?

Lutz: We're undoubtedly going to have to deal with the topics of resilience more and more in the years ahead and find new solutions for the problems that occur. That's relevant for our business, our customers and society. When it comes to emissions, we will be working in the months ahead on obtaining an exact overview of our upstream and downstream emissions and identifying savings potential while also formulating targets, especially with regard to the logistics activities we outsource. Our long-term goal is to make BayWa climate-neutral by 2030.

“If you don't do sustainable business, you might not have any business left to do tomorrow.”

Energy consumption and greenhouse gas emissions

As a company with 19,388 employees and one of the largest grain traders in Europe, BayWa consumes a great deal of energy for its own operations – including energy needed to operate plants, as well as to light and heat buildings – and generates CO₂ emissions in the process. The company seeks to do its part for the Paris Climate Agreement and reduce its emissions accordingly. At the same time, the aim is to lower energy costs and thereby improve economic efficiency.

Guidelines, structures and processes

The Board of Management of BayWa AG adopted the BayWa climate strategy in 2018. The development of the climate strategy has enhanced energy and climate management in all business divisions. The climate strategy, which is guided by the 1.5° target, demonstrates the issue’s significance for BayWa.

The climate working group, which is made up of subsidiary and department representatives, was set up in 2018 as part of the strategy development process. The climate working group is set to continue its efforts in the future. Its participants worked together to discover options for making reductions aimed at improving BayWa’s greenhouse gas balance. The working group also analysed current issues, such as science-based targets and the latest IPCC report, and discussed their relevance for BayWa.

The BayWa climate strategy consists of five targets:

- Ambitious absolute CO₂ reduction target for Scope 1 and Scope 2
- Ambitious relative energy target
- Contribution to the energy transition through the expansion of renewable energies
- Commitment to the use of 100 per cent renewable energies in electricity generation, including own generation
- In the long term: carbon-neutral operations (Scope 1 and Scope 2) by 2030 through compensation and the development of own regional and international climate protection projects

With its large number of administrative centres, warehouses, service locations, workshops and cold stores, BayWa has an extremely diverse and patchwork consumer structure. All subsidiaries record consumption quantities based on the existing structures. The BayWa Group’s sustainability management team assists with the structured collection of consumption data by providing relevant tools, a manual with explanations and tips, and training opportunities. Data undergoes consolidation and validation at subsidiary and Group level.

In the reporting year, the BayWa AG

Board of Management approved the Group-wide climate strategy

During the reporting year, BayWa collected energy and emission data from all subsidiaries, thereby achieving 100 per cent coverage. The data management processes refer primarily to energy consumption within the organisation, i.e. in the companies' own processes. Structures intended to record energy use outside the organisation are gradually being established.

The recording and calculation of the BayWa Group's greenhouse gas emissions are carried out based on the internationally recognised Greenhouse Gas (GHG) Protocol Corporate Standard. BayWa has chosen the financial control approach as its consolidation approach. The following emissions are reported:

- Scope 1: Direct emissions from combustion processes of stationary systems (natural gas, heating oil), mobile systems (fuel from procurement and distribution shipments, own and leased passenger cars) as well as direct emissions of volatile gases (coolants and refrigerants)
- Scope 2: Indirect emissions from purchased electricity and district heating
- Scope 3: Indirect emissions from purchased transport services¹

In accordance with the GHG Protocol guidelines in effect since 2015, BayWa reports its greenhouse gas emissions from electricity using the emission factors of the respective national electricity mix. The "location-based" method was applied for calculating emissions, which means that all quantities of externally sourced electricity were calculated using the national emission factors, regardless of whether the electricity was generated from conventional or renewable energy carriers. BayWa likewise considers emissions generated along the upstream and downstream value chain (Scope 3). In this report, this last scope also extends to the emissions generated by transport and logistics service providers, as they are closely tied to the company's core business.

Objectives

In addition to the main goal of reducing the greenhouse gas emissions of BayWa's locations, company cars and own logistics by 22 per cent compared to 2017 by 2025, BayWa has set further sub-goals, including a relative energy target. The company plans to reduce its energy intensity per euro of EBITDA by 22 per cent compared to 2017 by 2025. Moreover, BayWa will cover its own electricity needs entirely with renewable energies by 2020. BayWa plans to create 10 gigawatts of additional renewable energy generation capacities by 2025 and make the entire Group climate-neutral by 2030.

BayWa's climate strategy

pursues five goals. The BayWa climate target for 2025 is at the heart of the strategy. Four additional targets are designed to help the Group achieve its goal (see diagram, page 46).

¹ BayWa analyses and reports on some of the indirect emissions generated during business travel. BayWa AG started recording its travel-related flight emissions in 2018.

BayWa supports the Allianz

für Entwicklung und Klima (alliance for development and climate) spearheaded by Germany’s Federal Ministry for Economic Cooperation and Development (BMZ).

Measures

BayWa complements its reduction measures by offsetting CO₂ emissions by buying carbon credits, which must meet relevant quality specifications. Compensation activities complement the efforts aimed at substantially reducing own emissions and were further expanded in 2018. BayWa Obst GmbH brought a photovoltaic system online at its location in Ailingen on Lake Constance. Planning is under way for further photovoltaic systems at the remaining German locations and at TFC Holland B.V. In some cases, implementation has already begun.

The Conventional Energy business unit offers both the climate-neutral delivery of its products and climate-neutral heat products. For example, the emissions generated during heating with eco-clean klimaneutral heating oil are compensated for by supporting certified climate-protection projects.

The BayWa r.e. Group has set up a three-stage emissions reduction and compensation action programme that includes prevention measures, the implementation of own compensation projects and the purchase of high-quality carbon credits. Selected BayWa r.e. Group locations will begin conducting energy audits in 2019.

RWA AG makes sure that the products and office materials it purchases for its own use have received environmental certification. The paper and recycling products it uses are carbon neutral. RWA’s internal printing processes are completely carbon neutral.

By setting up the climate working group, BayWa has started getting employees more closely involved in environmental and climate protection measures while sensitising them to related issues. BayWa also intends to increase its efforts to communicate the adoption of the climate strategy throughout the Group and draw employees’ attention to the subject. In-house communication channels (e.g. the intranet, employee newsletter) are already being used to regularly inform BayWa employees about what they can do to reduce their energy consumption at the workplace.

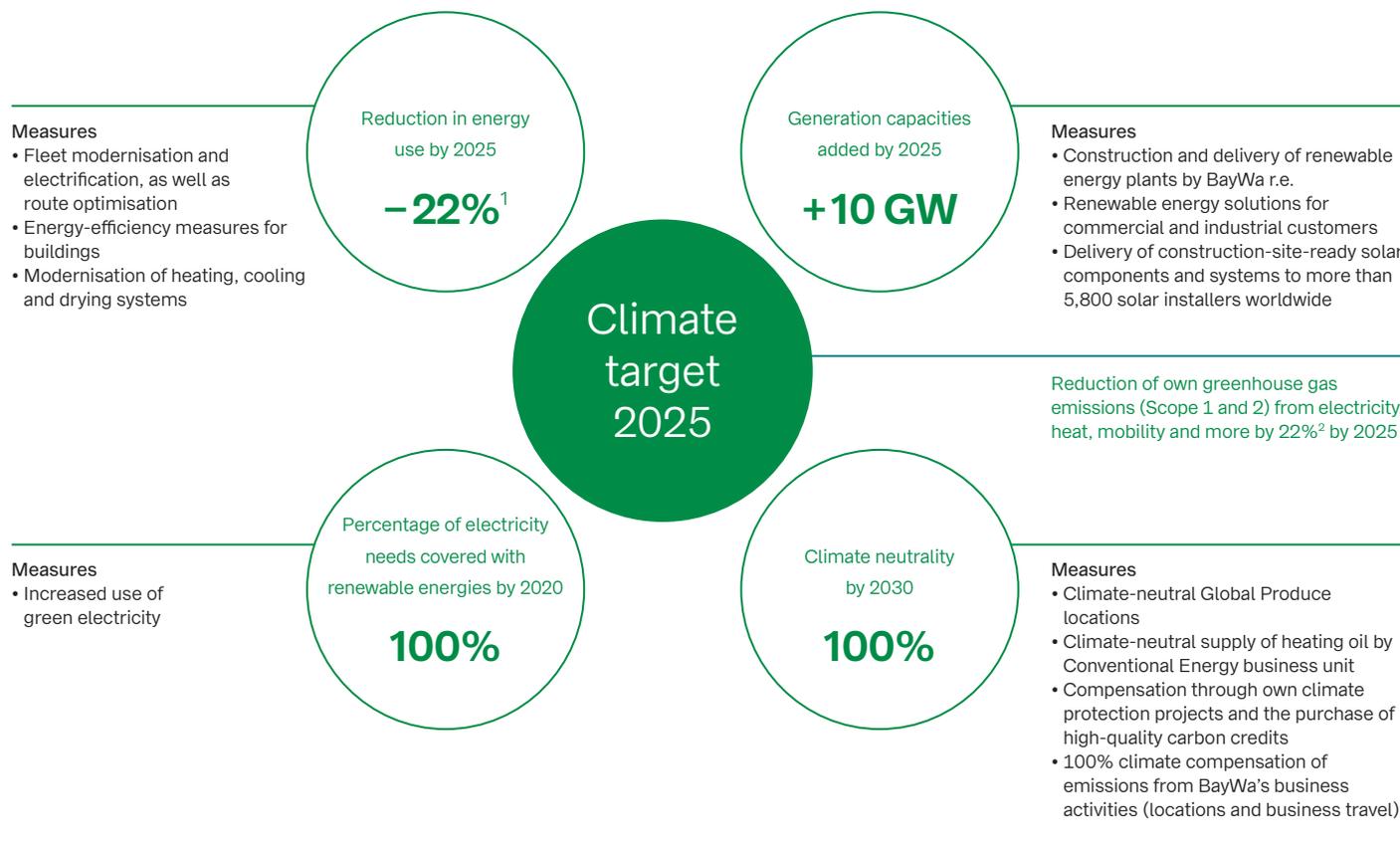
Plans are also in place to continue the climate working group with a focus on the following issues:

- Sharing best practices regarding the implementation of reduction measures
- Renovation and heat generation, as well as the expansion of own generation through solar energy
- Continuous conversion to electric fleet vehicles and reduction of logistics emissions
- Revision of fleet guidelines
- Reliable Scope 3 calculation

BayWa climate strategy 2025

Climate target and additional goals

The BayWa climate target for 2025 is at the heart of the strategy. Four additional targets are designed to help the Group achieve its goal.



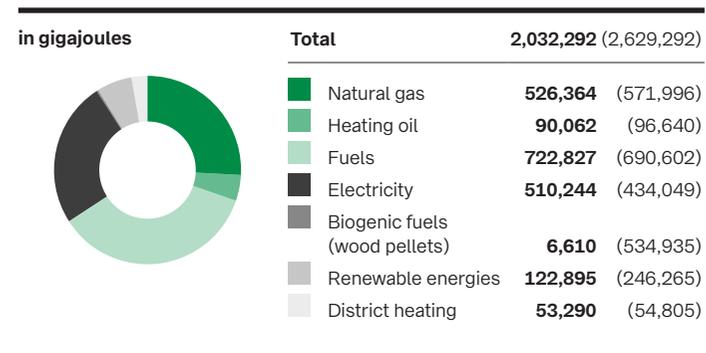
¹ In terms of EBITDA
² Base year: 2017

Performance indicator and result

Energy consumption

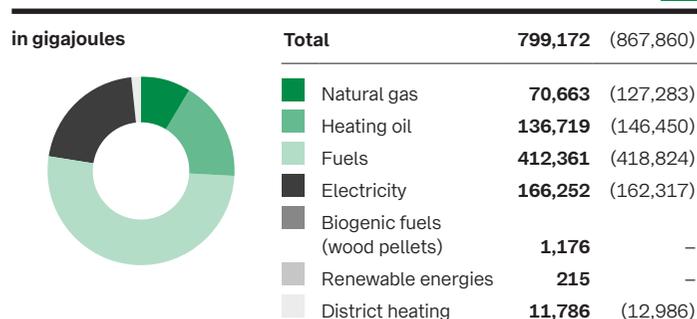
In 2018, total energy consumption of around 799,172 gigajoules (GJ)* (2017: 867,860 GJ). Consumption per employee at BayWa in the reporting year was thus 88.3 GJ (2017: 97 GJ). This is mainly attributable to reduced consumption of natural gas. In the reporting year, less natural gas was required for drying purposes in agriculture due to the harvest. The energy consumption of the subsidiaries reported on amounted to a total of around 2,032,292 GJ (2017: 2,629,292 GJ), corresponding to 196.5 GJ per head. At BayWa AG, fuels (especially diesel) for transport and logistics services (own procurement and distribution shipments, service vehicles for agricultural equipment and lift truck operations) accounted for around 50 per cent of direct energy consumption.

Energy consumption by energy source of subsidiaries 2018 §



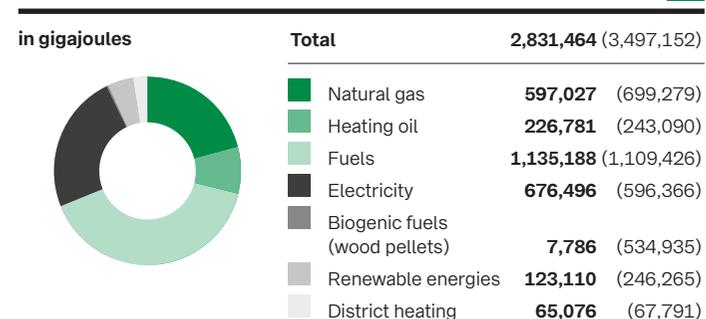
Comparable figures from 2017 in brackets

Energy consumption by energy source at BayWa AG 2018¹ §



¹ Including heating oil for drying; figures stated not directly comparable with Sustainability Report 2017
Comparable figures from 2017 in brackets

Energy consumption by energy source by BayWa Group 2018 §



Comparable figures from 2017 in brackets

* A gigajoule (GJ) equates to approx. 278 kilowatt hours (kWh).

Greenhouse gas

Greenhouse gas emissions at BayWa AG reduced in absolute terms year on year to 45,632 tonnes of CO₂ equivalents (2017: 50,672) and per capita to around 5.0 tonnes of CO₂ equivalents (2017: 5.7). 67 per cent of total greenhouse gas emissions of the AG are attributable to combustion of fuels. Other greenhouse gas emissions are attributable to the production of electricity and district heating for BayWa AG locations.

Greenhouse gas emissions at the reporting subsidiaries amounted to some 117,411 tonnes of CO₂ equivalents (2017: 118,226), equating to 11.4 tonnes of CO₂ equivalents per capita. Direct emissions at around 76 per cent are significant here; around 59 per cent come from consumption of fuels. In addition, emissions from subsidiaries totalled around 2,942 tonnes of CO₂ equivalents through leakage of coolants (2017: 5,083).

Greenhouse gas emissions from energy consumption at BayWa AG 2018¹

in tCO ₂ equivalents	Total	45,632	(50,672)
	Scope 1	44,743	(49,158)
	Heating oil ²	10,271	(11,002 ³)
	Natural gas ⁴	4,003	(7,210)
	Fuels ⁵	30,469	(30,946)
	Scope 2 ⁶	889	(1,514)
	Electricity ⁷	220	(777)
	District heating	669	(737)

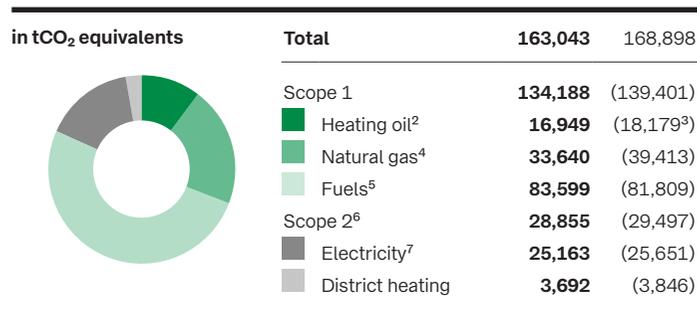
1 Due to rounding slight discrepancies may arise in the table and diagrams when totalling. Emission factors from VDA 2018, DEFRA 2016
 2 Combustion of heating oil for drying and heating
 3 Including heating oil for drying; figures stated not directly comparable with Sustainability Report 2017
 4 Combustion of natural gas for heating and drying
 5 Combustion of diesel for own and leased cars and trucks as well as for other purposes
 6 The location-based method was used for the calculation in 2018. Data from the previous year was adjusted and therefore not comparable with figures in 2017 report
 7 The greenhouse gas emissions from electricity were also calculated using the location-based method. The figure is around 25,015 t CO₂ equivalents for 2018 (2017: around 24,423 tCO₂ equivalents).
 Comparable figures from 2017 in brackets

Greenhouse gas emissions from energy consumption at subsidiaries 2018¹

in tCO ₂ equivalents	Total	117,411	(118,226)
	Scope 1	89,445	(90,243)
	Heating oil ²	6,678	(7,177 ³)
	Natural gas ⁴	29,637	(32,203)
	Fuels ⁵	53,130	(50,863)
	Scope 2 ⁶	27,966	(27,983)
	Electricity ⁷	24,943	(24,874)
	District heating	3,023	(3,109)

1 Due to rounding slight discrepancies may arise in the table and diagrams when totalling. Emission factors from VDA 2018, DEFRA 2016
 2 Combustion of heating oil for drying and heating
 3 Including heating oil for drying; figures stated not directly comparable with Sustainability Report 2017
 4 Combustion of natural gas for heating and drying
 5 Combustion of diesel for own and leased cars and trucks as well as for other purposes
 6 The market-based method was used for calculation in 2018. Data from the previous year was adjusted and therefore not comparable with figures in the 2017 report.
 7 The greenhouse gas emissions from electricity were also calculated using the location-based method. The figure for 2018 is around 39,748 tCO₂ equivalents (2017: around 38,215 tCO₂ equivalents).
 Comparable figures from 2017 in brackets

Greenhouse gas emissions from energy consumption at BayWa Group 2018¹ \$



1 Due to rounding slight discrepancies may arise in the table and diagrams when totalling. Emission factors from VDA 2018, DEFRA 2016
 2 Combustion of heating oil for drying and heating
 3 Including heating oil for drying; figures stated not directly comparable with Sustainability Report 2017
 4 Combustion of natural gas for heating and drying
 5 Combustion of diesel for own and leased cars and trucks as well as for other purposes
 6 The market-based method was used for calculation in 2018. Data from the previous year was adjusted and therefore not comparable with figures in 2017 report
 7 The greenhouse gas emissions from electricity were also calculated using the location-based method. The figure for 2018 is around 64,763 tCO₂ equivalents (2017: around 62,638 tCO₂ equivalents).
 Comparable figures from 2017 in brackets

The BayWa r.e. business unit has been climate-friendly and Global Produce's German locations have been carbon-neutral since 2018.

In total, 39,354 tonnes of CO₂ were offset by BayWa AG and 20,450 tonnes of CO₂ by its subsidiaries through the purchase of high-quality carbon credits in 2018.

What is green electricity?



Green electricity comes from renewable sources such as water, sun or wind. As no fossil resources need to be burnt to produce it, green electricity is CO₂-neutral. But not all green electricity meets the green standards, transparency plays a critical role in the assessment. BayWa green electricity is 100 per cent generated in hydroelectric power stations in the Alps. BayWa ensures that the ecosystems associated with the bodies of water are not damaged. The ok-power seal of quality that identifies BayWa green electricity assures consumers that they are buying power that meets green standards.

Further results

Since 2018, the BayWa Group's Conventional Energy business has been offering carbon-neutral delivery of its products. Through high-quality carbon credits, BayWa r.e. Group offset its unavoidable emissions from its own operations and emissions from travel for the first time in 2018. As a result, BayWa r.e.'s entire business division has been climate-friendly since 2018. Operations at Global Produce's German locations have been carbon-neutral since 2018. Efforts to make TFC Holland B.V. carbon-neutral were also kicked off in the reporting year.



BayWa r.e.'s carbon-neutral operations

“BayWa r.e has always actively contributed to climate protection with its renewable energies business. We are proud to say that, in the reporting year 2018, our business operations are also 100 per cent carbon-neutral for the first time,” says Matthias Taft, CEO of BayWa r.e. and member of the Board of Management of BayWa AG with responsibility for the Energy Segment.

As a first step, the BayWa subsidiaries recorded their emissions from the energy consumption of their own plants, fuel consumption of the vehicle fleet and emissions arising from business trips by train, airplane or rental car. BayWa r.e. offsets or reduces these CO₂ emissions through the purchase of green electricity and by increased efficiency and savings measures in the energy and travel management areas. This will not bring the figure down to zero, since as an internationally operating business, it is ultimately not possible to do away with travel activities entirely.

The remaining emissions are now offset by BayWa r.e. through high-quality carbon credits that support forest conservation and renewable energy production projects across the globe.

As a member of the Klimapakt

Münchner Wirtschaft (Munich business climate pact) energy efficiency network, BayWa worked with other companies to save 48,831 tonnes of CO₂ between 2015 and 2017 through a variety of climate protection and awareness measures. BayWa therefore did its part to help reach Germany’s climate and energy policy goals.

During the reporting year, 241 GJ of electricity from renewable sources were also generated at BayWa AG locations (2017: 1,160 GJ). In addition, BayWa AG purchased around 215 GJ of electricity from its own renewable energy sources in the reporting year. In 2018, electricity in the amount of 2,466 GJ was produced from renewable energy sources for in-house consumption at Global Produce business unit locations. Through its BayWa r.e. Group subsidiary, BayWa Group generated around 882,000 GJ of energy from renewable energy sources in the reporting year, of which 420,000 GJ were for electricity production and 462,000 GJ were for heat production.

The BayWa AG purchases around 100 per cent renewable energy. The majority of it is certified with the ok-power seal of quality, whose criteria are an active contribution to the energy transition.

In the reporting year, around 35,765 GJ (2017: 15,457 GJ) of the Group’s electricity came from its own renewable energy sources. Purchases of electricity across the Group from tariffs for green electricity stood at 357,636 GJ in the reporting period (2017: 269,428 GJ). This means that around 53 per cent of the electricity purchased was attributable to tariffs for green electricity.

Direct emissions that do not originate from fossil energy sources are created by the use of refrigerants in the business unit Global Produce and its subsidiary T&G Global. Since the climatic effect of common refrigerants is particularly strong, the BayWa is working on an optimised management of the refrigerants as well as the successive substitution of the refrigerants by less or harmless refrigerants.



Christiane Bell on the topic of carbon neutrality at Global Produce

INTERVIEW

Carbon neutrality at Global Produce

Operations at the German locations of BayWa AG’s Global Produce business unit have been carbon-neutral since 2018. The consumption of electricity, gas and heating oil was systematically reduced, while at the same time investments were made in energy production from renewable sources. Global Produce offsets the remaining emissions by the purchase of high-quality carbon credits. Christiane Bell, head of the Global Produce business unit at BayWa, has played a seminal role in advancing the cause of carbon neutrality.

Ms Bell, why the focus on carbon neutrality?

Bell: Sustainability has always been a key issue for me. In my view, we must do everything we can within our sphere of responsibility to support it. By aiming for carbon neutrality at Global Produce, we are endeavouring to anticipate our stakeholders’ future demands. It is important to us to behave proactively and move forward to courageously implement climate projects. That is why we made our largest production facility at Kressbronn on Lake Constance carbon-neutral in 2017. Since June 2018, all the other German locations have also been carbon-neutral.

What was decisive for the successful implementation of the concept?

Bell: Sustainability coupled with economic viability – that is my motto. We set out to primarily achieve carbon neutrality through operational improvements. For example, we equipped our Kressbronn location with pellet heating, expanded the solar power system for our own electricity supply, changed the lighting over to LEDs and introduced an energy management system which will also identify potential for savings in the future.

Our employees are an important success factor on this path. The fact that we could count on them to support our goals sped up implementation. Ultimately, only 10 per cent of the original emissions had to be offset by purchasing carbon credits.

What will your next climate targets be?

Bell: We want to have the CO₂ neutrality of our German locations recognised with carbon neutral certification from a recognised neutral certification provider. In the medium term, we’re aiming for our subsidiaries T&G Global in New Zealand and TFC Holland to also become carbon-neutral. In the long term, we want a negative CO₂ balance for Global Produce.

“We set out to primarily achieve carbon neutrality through operational improvements.”

Waste and waste water

BayWa produces waste and waste water within the scope of its business activities. Dealing with them in the proper manner is a matter of foresight and compliance. Violations can harm the environment and nature, and entail steep fines for the company. Since the global availability of water is extremely important to BayWa as an agricultural group, the company aims to be an example for others. As a result, it seeks to be vigilant about the careful and efficient use of this valuable resource within its own operations.

Guidelines, structures and processes

The proper and legally compliant disposal of waste from products and processes is a central task of BayWa AG. BayWa AG's disposal management activities are allocated to the corporate EHS organisational unit and supported by one employee. Ongoing training ensures that the employee possesses the necessary expertise. The subsidiaries are independently responsible for the implementation of guidelines and measures. Clear responsibilities and a centralised control structure constitute effective waste management there as well.

Standardised BayWa AG instructions at all branches on dealing with waste and proper disposal channels ensure that environmentally harmful incidents, either at its locations or when transporting goods, are avoided and the impact of incidents are limited. Long-term partnerships with carefully selected disposal companies that operate nationally make it easier to monitor and control the processes.

As part of product responsibility, BayWa AG supports the establishment of collection points at its locations and organises regular campaigns to take back waste. As a result, customers can use more than 100 locations in the Conventional Energy and Agricultural Equipment business units, which are registered as collection points of the Verwertungsgesellschaft für Gebinde der Mineralöl-industrie (collecting society for containers in the petroleum industry – GVÖ). Corresponding instructions are in effect at BayWa AG for the handling of hazardous substances.

BayWa AG and its subsidiaries are responsible for, among other things, the safe storage of hazardous substances and the safe transport of dangerous goods, such as heating oil or crop protection products. Top priority goes to avoiding incidents of pollution and to customer satisfaction. Since 1992, all claims involving BayWa AG have been recorded centrally, analysed and processed as quickly as possible in cooperation with the insurance company, relevant experts and the customer, regardless of who caused the damage. Employees are obliged to report anything conspicuous with regard to incidents of pollution and cases of damage.

The water treatment plants at the two sorting facilities of BayWa Obst GmbH are permanently in operation and recycle 70 per cent of the process water, so that only a small amount of fresh water is used. To clean waste water contaminated by oil, RWA AG has installed mineral oil separators at the affected areas.

To guarantee the safety of the environment and society, Group-wide instructions for the handling of hazardous substances are in effect at BayWa AG. Briefings, training courses and on-site inspections occur regularly for this purpose.

Objectives

In the years ahead, BayWa aims to continuously reduce the amount of waste generated throughout the Group while increasing the recycling rate. Despite established structures and processes, the possibility of environmental damage caused by a lack of knowledge cannot be ruled out. BayWa seeks to widely minimise this lack of knowledge by raising employee awareness of how to handle hazardous substances through training courses and instructions. These procedures have been implemented at BayWa AG in recent years. In 2019 the goal is to introduce them throughout the Group.

BayWa r.e. also aims to avoid the use of disposable plastics at all locations to the greatest extent possible.

Measures

To reduce waste and increase the rate of recycling, BayWa is taking the following steps:

- Reducing the amount of copy paper by gradually switching the standard print setting at BayWa corporate headquarters to double-sided printing
- Increasing the rate of recycling through financial incentives for separate waste collection at the locations

To continuously reduce the amount of waste generated throughout the Group while increasing the recycling rate BayWa plans on employing a newly introduced environmental software. This software will provide information and training related to waste management in a more interactive manner and communicate it to employees in a more targeted way so as to sensitise them to the issues of waste and recycling while also motivating them to take action.

Performance indicator and results

Over the past year, approximately 12,307 tonnes of waste were generated at the locations of the BayWa AG (2017: 12,142 tonnes). Of this amount, some 76 per cent were recycled (2017: 78 per cent). The amount of waste generated at the subsidiaries came to 122,891 tonnes in the reporting year (2017: 174,357 tonnes). Of that amount, around 15 per cent (2017: 36 per cent) was recycled.

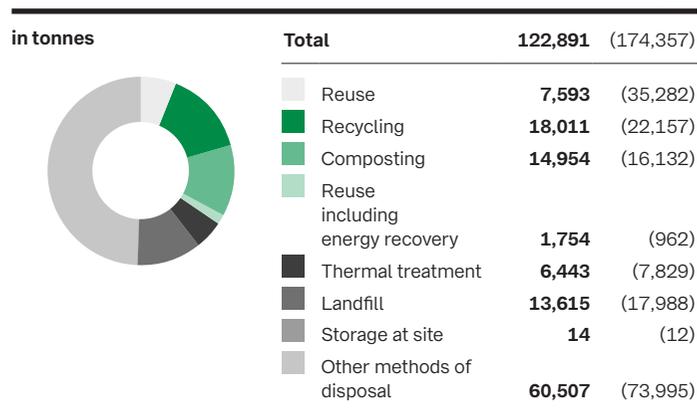
Waste by disposal method at BayWa AG 2018



in tonnes	Total	12,307	(12,142)
	Reuse	0	(0)
	Recycling	9,311	(9,528)
	Composting	6	(18)
	Reuse including energy recovery	2,440	(2,108)
	Thermal treatment	164	(66)
	Landfill	386	(422)
	Storage at site	0	(0)
	Other methods of disposal	0	(0)

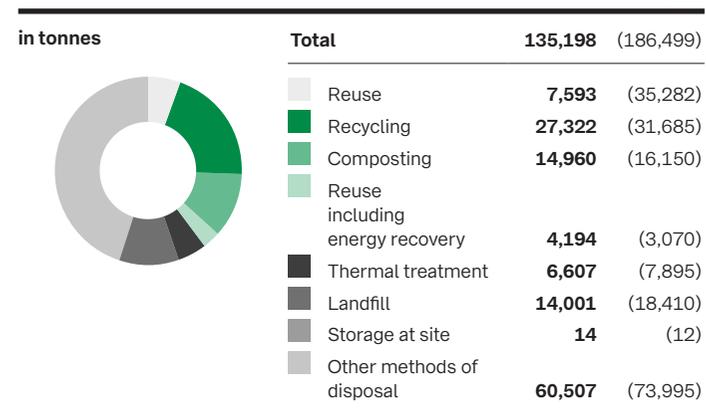
Comparable figures from 2017 in brackets

Waste by disposal method at subsidiaries 2018



Comparable figures from 2017 in brackets

Waste by disposal method at BayWa Group 2018



Comparable figures from 2017 in brackets

Further results

Through regular take-back campaigns and at established site collection points, BayWa AG took back 5,602 tonnes of waste in 2018 (2017: 7,500 tonnes). BayWa AG organised the proper disposal of some 3,913 tonnes of hazardous waste (2017: 4,060 tonnes), such as machine, gear and lubricating oils; oil filters; starter batteries; and other hazardous substances, such as fuel, contaminated packaging and solvents. BayWa AG organises the proper disposal of hazardous substances in line with handling instructions. In total, some 94 per cent of all hazardous waste was recycled (2017: 93 per cent).

The subsidiaries took around 2,700 tonnes of waste back. In 2018, the amount of waste water generated by the subsidiaries stood at 63,823 m³.

Altogether, 67 claims involving damage (such as heating oil that leaked or fires) were responsible for total expenditures (including clean-up and compensation) at BayWa AG of approximately €227,170 in 2018 (2017: 85 claims involving damage for total expenditures of around €229,162).

Transport and logistics

As a trading company, BayWa contributes to climate change by generating CO₂ emissions through the transport of goods. At the same time, logistics design is an important way to improve the company's carbon footprint. Other risks related to transport and logistics come from handling dangerous goods. To prevent staff and the environment from suffering any harm which may result from transporting these goods, BayWa has created an extensive set of relevant rules and regulations under corporate environmental management (see page 39).

Guidelines, structures and processes

Since 2014, BayWa AG has been pursuing the sustainable alignment of its logistics as a project spanning all business units. As a result, it not only saves on energy and costs, but also meets the rising expectations of customers with regard to safe, environmentally compatible transport.

The company's internal logistics activities account for a significant proportion of its CO₂ emissions. They are included in the reduction target of the BayWa climate strategy and play an important role in the achievement of objectives. That is why our work to optimise logistics activities and reduce energy consumption and CO₂ emissions will be further intensified and supported by activities at headquarters. The respective business units continue to be responsible for transport and logistics at BayWa AG. The Corporate Environment, Health & Safety (EHS) organisational unit provides advice on environmentally friendly measures for the transport and storage of products, among other issues, and supports BayWa employees in their day-to-day activities by providing checklists, information sheets and operating instructions.

In order to reduce environmental impacts, measures BayWa intends to take in future include reduction in greenhouse gas emissions from company cars and Group-own logistics. The fleet of company cars is also to be gradually electrified.

BayWa takes four strategic approaches to transport and logistics:

- Creating optimal distribution structures through network planning
- Increasing the number of shipments by rail and inland waterways through targeted logistics concepts
- Reducing shipments and emissions by optimising routes, using a modern vehicle fleet and trained drivers
- Sustainable transport partnerships anchored as a principle

Objectives

Last year BayWa announced a Group-wide target in the area of transport and logistics. BayWa met that target by adopting the climate strategy and the associated climate goals for Scope 1 and Scope 2 emissions at the end of 2018 (for further information see the Energy and Greenhouse gas emissions section, p. 43). Furthermore, future greenhouse gas emissions from company cars and the Group's own logistics, among others, are to be lowered to reduce the environmental impacts. Measures planned by BayWa to achieve this goal include the incremental electrification of its car fleet. By 2025, electric vehicles should replace 20 per cent of the fleet, above all the diesel vehicles. BayWa r.e. also intends to adopt Group-wide vehicle fleet guidelines by 2019.

Specific CO₂ reduction targets for the Group's vehicle fleet and own logistics have not been determined as yet. However, the intention is to develop them in the course of implementing the strategy.

The modernisation of the waterway at the RWA location Aschach (Austria) will lead to increased use and potential annual savings of 1,200 tonnes of CO₂ emissions.

Measures

To reduce environmental impacts from its own vehicles and logistics processes, BayWa is implementing a range of activities and measures. These are based on the exchange of ideas between the business units concerning best practice.

In order to optimise the delivery of products and thereby reduce emissions, the logistics chain will first be analysed, with BayWa planning to introduce an intelligent route planning system. That will allow the shortest routes to be determined and utilised using telematics. BayWa’s vehicle fleet will also be equipped with cruise control in order to reduce speeds and the associated CO₂ emissions. During driver training, employees learn how an environmentally conscious, fuel-saving driving style can contribute to CO₂ savings. In the medium term, BayWa also plans to continue the conversion of its fleet, equipping the vehicles with efficient and alternative drive technologies, as well as electrifying its own car fleet. To keep the CO₂ emissions of the company’s fleet as low as possible, BayWa AG’s fleet regulations define reference vehicles with emissions of between 82 and 98 g/km. The subsidiaries are also increasingly converting their fleets to low-consumption and electric vehicles.

To guarantee optimum utilisation and route planning, a number of companies cooperate with specialised logistics service providers. These efforts keep costs and fuel consumption low and create more efficient and climate friendly transport and logistic processes.

Along with conserving resources and efficiency, quality assurance of production processes and production environments also plays a pivotal role in the transport of goods. At BayWa, this is regulated through quality management for food and feedstuffs production. In addition, a driver’s manual ensures compliance with good manufacturing practices (GMP and GMP+) and standards. GMPs pertain to guidelines for assuring the quality of production processes and production environments, including with regard to manufacturing food and feedstuffs. In the Agricultural Equipment business unit, loading and dangerous goods checklists ensure the proper transport of goods. Legal requirements, e.g. regarding hazardous goods specifications and payment of the minimum wage, are included in contracts with transport service providers. In the Conventional Energy business unit, all relevant employees receive training every two years and are regularly informed of new developments.

Performance indicator and results

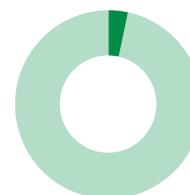
In the reporting year, BayWa produced direct greenhouse gas emissions of 1,012,209 tonnes of CO₂ equivalents in the transport of goods. A considerably higher share of goods from BayWa AG was transported by logistics service providers in the reporting year.

To calculate CO₂ emissions caused by logistics service providers, BayWa consistently records the transport service provided in tonne-kilometres. A total of just under 56.3 billion tonne-kilometres resulted from truck, rail or ship transport by service providers in 2018. That created greenhouse gas emissions of 960,387 tonnes of CO₂ equivalents.

Greenhouse gas emissions caused by transport of service providers¹ at BayWa AG and subsidiaries 2018²



in tonnes of CO ₂ equivalents	Total	960,387	(1,015,146)
BayWa AG	34,499	(39,924)	
Subsidiaries	925,888	(975,222)	



Greenhouse gas emissions caused by transport of company vehicles¹ at BayWa AG and subsidiaries 2018²



in tonnes of CO ₂ equivalents	Total	51,822	(51,522)
BayWa AG	18,167	(18,698)	
Subsidiaries	33,655	(32,824)	



1 Emission data company vehicles: diesel combustion in own trucks, emission factors from VDA 2018, greenhouse gases taken into account: CO₂
 2 Due to rounding slight discrepancies may arise in the table and diagrams when totalling. Comparable figures from 2017 in brackets

1 Basis for emission data of service provider: transport in tonne-kilometres. Emission factors from DSLV Guidelines 2013 and GLEC Framework 2016 well-to-wheel assessment, all greenhouse gases taken into account.
 2 Due to rounding slight discrepancies may arise in the table and diagrams when totalling. Comparable figures from 2017 in brackets

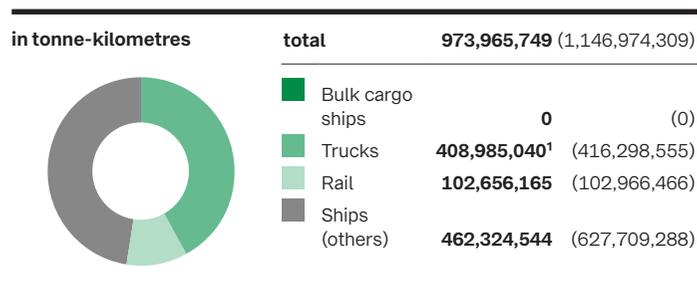
Greenhouse gas emissions caused by transport of company vehicles at BayWa Group 2018¹



in tonnes of CO ₂ equivalents	2017	2018
Company vehicles	51,522	51,822

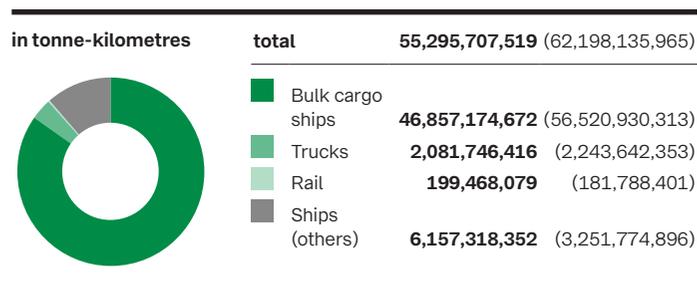
1 Emission data company vehicles: diesel combustion in company trucks, emission factors from VDA 2018, greenhouse gases taken into account: CO₂

Transport at BayWa AG 2018 delivered by transport service providers



¹ Due to a change in calculation method, the figure for 2018 was not yet available for the Agriculture Segment at the editorial deadline for the 2018 Sustainability Report. For the Agriculture Segment the previous year's figure was therefore included when reporting truck transport for BayWa AG. Truck transport in 2018 for the Agriculture Segment will be published in the 2019 Sustainability Report. Comparable figures from 2017 in brackets

Transport at subsidiaries 2018 delivered by transport service providers



Comparable figures from 2017 in brackets

In 2018, the Conventional Energy business unit offset the remaining CO₂ emissions from delivery of products to the consumer by buying carbon credits.

Further results

Some 298 tonnes of CO₂ emissions were generated by air travel by BayWa AG employees in the reporting period. BayWa AG employees travelled 2,690,698 passenger kilometres by train on business trips in 2018 (2017: 1,742,271). Compared with using a car, savings of 332 tonnes of CO₂ (2017: 284) were achieved.* In the reporting year 2018, BayWa AG and its subsidiaries consumed 32 million litres of fuel using company and leased vehicles, for example service vehicles (sales, machinery, customer service) and cars for business trips (2017: 31 million litres.) The number of trucks with Euro V or Euro VI emission standards was 60 per cent in 2018, representing an increase of 15 per cent compared to 2017.

In 2018, the vehicle fleet of the Conventional Energy business unit was reduced by a total of three tankers that only met the IV emission standards or older. In turn, the vehicle fleet was expanded by 14 tankers and four wood pellet vehicles with low consumption and the most recent pollution standards. In 2018, the Conventional Energy business unit again offset its remaining CO₂ emissions from delivery to consumers by purchasing carbon credits.

Since 2013, the agricultural division in Germany has been using block trains. In comparison with transporting goods by truck, it was thereby possible to save on CO₂ emissions in 2018.

* These figures are based on certificates issued by Deutsche Bahn which state the emissions generated.



Employees¹

BayWa’s operations have long extended beyond its core geographical area of Germany and Austria. Currently 19,388 employees work for BayWa in 33 countries around the world. With the new ONE HR human resources strategy, BayWa has also strategically positioned itself more internationally in 2018. Diversity and equal opportunity are promoted by BayWa through a range of programmes. This includes, for example, the women’s network “Connected Women”, which specifically addresses female managers. By offering attractive training and professional development programmes, BayWa not only consolidates the expertise of existing employees and retains them, but also attracts new young recruits. In addition, BayWa wishes to provide its employees with a safe working environment that is conducive to good health. By means of regular training on work safety and health topics as well as preventative measures, BayWa helps to reduce downtimes and increase the quality of life of its employees.

- › Human resources strategy
- › Diversity and equal opportunity
- › Training and professional development
- › Occupational health and safety

¹ There are no comparison values from the previous year in this chapter due to the changed recording method for the subsidiary.

Human resources strategy

BayWa's HR strategy 2018 + focuses the Group more strongly on its strategic goals and needs.

Guidelines, structures and processes

The HR strategy 2018+ forms the foundation for human resources work at BayWa over the coming years. An HR mission encompassing the entire Group as well as seven strategic fields of focus are the cornerstones for this approach.

BayWa's ONE HR mission comprises three principles:

- We are a global team of HR experts guided by our hearts and our heads.
- We are passionate about working with people and nurturing enthusiasm for the BayWa Group.
- Together with our customers WE find creative solutions for the global success of the company in a digital world.

Guided by the HR strategy 2018+, BayWa is concentrating its efforts on the following seven fields of focus:

HR 2022 – We are business

We are continuously working to expand and focus our range of expertise in order to align our portfolio of services even better to our internal clients.

Recruiting – Get the Best

Our resources are designed to reach and recruit the best employees for the needs of the BayWa Group. Nationally and across the world.

Talent management – Our talents create success

The three key steps to our success: Making potential and talent visible, developing them, applying them well. All in the knowledge of harnessing those skills that will be crucial to our success in future.

Leadership culture – Leadership makes the difference

Good leadership is the foundation of our success! The leadership culture has a direct influence on employees' motivation to perform and hence on the economic success of the BayWa Group.

Diversity & inclusion – Promoting diversity

We aim to leave no potential untapped. Internationality, heterogeneity and diversity in the workforce create innovation and success.

Connectedness

We establish a culture of dialogue and communication between employees and management. As a team. Across borders.

Employer branding – BayWa makes sense

The BayWa brand value and BayWa mission are the foundation for our positioning as a national and international employer. And our employees are our best brand ambassadors.

All our HR activities are focused on the strategic goals and needs of the BayWa Group. HR is a key force driving corporate culture and a strategic partner with an overarching management function.

As at the end of the year,
19,388 people worked for BayWa in 33 countries worldwide, which is 2.8 per cent more than in 2017.

The HR structure is oriented towards the following key topics:

- **Global cooperation:** We create the necessary conditions so that our expertise as the ONE HR team can create added value throughout the world. In order to be effective across the Group and capitalise off global synergies, the HR managers of the major subsidiaries report functionally to the HR management of the BayWa Group.
- **Focus on Germany:** Our core business is located in Germany. In order to meet its needs properly and to align ourselves even more closely to the needs of the business, we are establishing the HR Germany department.
- **Combined HR expertise for the entire BayWa Group:** We make our expert HR knowledge accessible to the entire BayWa Group. The HR Transformation & International division brings together expertise and develops an infrastructure in which it can have the optimal effect.

Responsibilities for different aspects of human resources

Global Corporate HR	3 persons
HR Germany	34 persons
HR Transformation & International	11 persons

Objectives and results

In HR, BayWa pursues specific objectives in relation to diversity and equal opportunity (page 63), training and professional development (page 66) and occupational health and safety (page 68). The relevant chapters of this report provide an overview of where the company stands with respect to achieving each of these objectives, as well as results from the previous year.

Employee structure¹

The number of employees at the BayWa Group increased in 2018. At the end of the year, the Group employed 19,388 people in 33 countries worldwide. This marks a 2.8 per cent increase in employees year on year (2017: 18,862).

The number of employees at BayWa AG stood at 9,047 during the reporting year (2017: 8,950). Of those, 14.5 per cent² worked on a fixed-term basis (2017: 2.4 per cent³), 12.3 per cent worked part-time (2017: 16.6 per cent). At the subsidiaries, the proportion of employees working on a fixed-term basis was 16.2 per cent; 9.8 per cent of employees at the subsidiaries worked part-time. Marginally employed and fixed-term workers also play an important role in the company's success, for example with regard to seasonal business.

Length of service and employee turnover

Long periods of employment with the company and low turnover are indicative of high employee satisfaction at BayWa. The former stood at 14.2 years at BayWa AG last year, and at 10.8 years at the reported subsidiaries. During the reporting period, BayWa AG had

¹ All employee figures in this section can differ from the figures provided in the Consolidated Financial Statements due to different data collection methods.
² 2018 data included contracts for apprentices and is therefore not directly comparable with 2017 data
³ Excluding contracts for apprentices

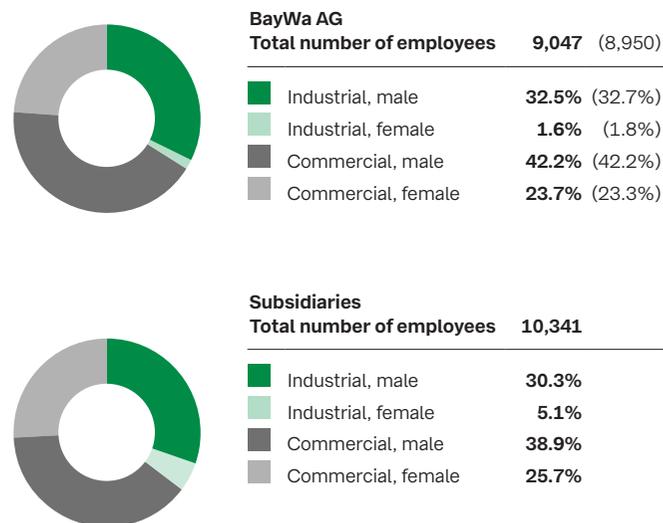
Long periods of employment with the company are indicative of higher employee satisfaction at BayWa: at BayWa AG the period of employment was 14.2 years, and 10.8 years at the reported subsidiaries.

875 new recruits (2017: 825) compared to 405 people leaving (2017: 394) – working out to an employee turnover rate of 4.5 per cent (2017: 4.4 per cent). At the subsidiaries, the turnover rate was 11.3 per cent – 1,909 entries versus 1,167 exits.

The rate of new hires at BayWa AG was 9.7 per cent during the reporting year (2017: 9.2 per cent) and 18.5 per cent at the subsidiaries. Around 43 per cent of the male employees and around

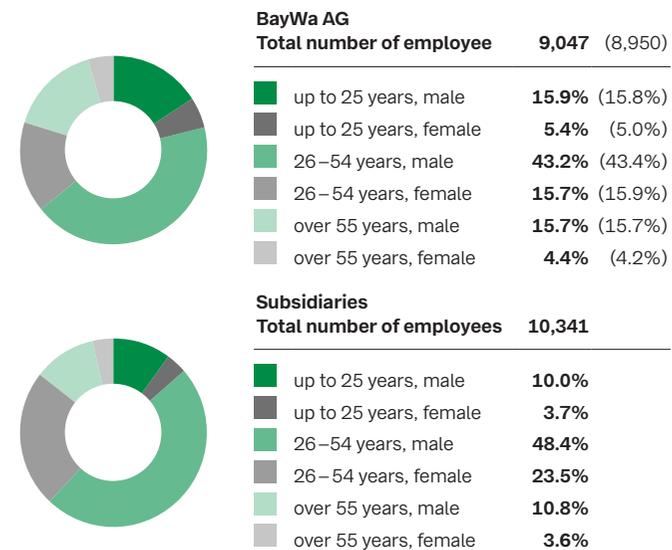
16 per cent of the female employees at BayWa AG were aged between 26 and 54 years in 2018. At the subsidiaries, around 48 per cent of the male and 24 per cent of the female employees were within this age range.

Employee structure at BayWa AG and subsidiaries 2018



Comparable figures from 2017 in brackets

Age distribution at BayWa AG and subsidiaries 2018



Comparable figures from 2017 in brackets

Diversity and equal opportunity

102-41

Across the Group, people from a wide range of nationalities work together, as shown by these examples:



Companies that actively promote diversity, equality and inclusion boost employee satisfaction and motivation, and increase their attractiveness to people on the job market. BayWa therefore counters the risk of declining applicant numbers and high turnover, particularly in light of increasing shortages of qualified staff, with a management concept that is committed to diversity and equal opportunity. Given that teams with people of different ages, genders and levels of experience work more creatively and with greater focus on finding solutions, companies themselves benefit greatly from embracing diversity as a concept and putting it into practice. With over 19,000 employees in 33 countries, BayWa is dependent on people from various backgrounds in terms of gender, nationality and generations collaborating successfully across and within country borders.

Guidelines, structures and processes

Diversity and equal opportunity are an integral part of BayWa AG's ONE HR strategy. BayWa does not tolerate employee discrimination on the basis of personal background, gender, age or sexual orientation. This principle is set forth in the Code of Conduct developed in 2015 and communicated through the Corporate Leadership Guide and at mandatory management training courses. The Inclusion & Diversity team, which was newly established in 2018, is currently preparing a Group-wide framework policy on this topic. The roll-out is planned for 2019.

HR is responsible for ensuring diversity and equal opportunity. The Inclusion & Diversity team is responsible for developing the initiatives and guidelines for strengthening diversity and equal opportunity across the Group. At the same time, managers are called on to do their part for diversity and equal opportunity in their teams.

Remuneration is based on experience and knowledge. In the areas falling under the BayWa pay scale, remuneration is based on evaluation of job functions in accordance with the collective wage and salary agreement. If employees feel that they have suffered discrimination, they have the option to approach their supervising manager or the Human Resources department, or to anonymously contact the external legal counsel. The German Pay Transparency Act also applies from 2018. According to this legislation, BayWa AG employees have the right to information about the salary of a colleague of the other gender who performs a similar job or works on a similar level.

To promote a better work-life balance, BayWa AG provides its employees with flexible working time models geared towards the different stages of their lives. Special seminars are designed to help workers returning from parental leave to reintegrate quickly.

In its job advertisements, BayWa AG encourages people with disabilities to apply. BayWa AG also awards orders for digitalising contract documents, for example, to organisations that employ people with disabilities as a matter of priority.

Since 2017, “reverse mentoring” has been available to BayWa employees in the Munich headquarters. This approach has younger employees – the mentors – helping experienced managers expand their digital skill set, for example. This type of mentoring provides for a valuable exchange of perspectives and experiences between different generations.

Objectives, performance indicator and results

The promotion of diversity and inclusion is a strategic goal, because diverse and mixed teams can contribute to improved success for the company. Today, people of many different nationalities work together in BayWa across the Group. In terms of equal opportunities, the company pursues the aim of securing the most suitable candidate for vacant management positions, regardless of personal background, gender, age or sexual orientation. Women with high potential benefit from BayWa’s “Connected Women” network. The network provides a platform for female employees where they can share ideas and experiences, enabling them to learn from one another.

By 30 June 2022, the aim is to achieve a of 22 per cent Group-wide share of women in the first and second management tiers. At the end of the 2018 reporting year, the proportion of women in the top management tier was 24.2 per cent (2017: 19 per cent). In the second management tier, 17.6 per cent of management was female (2017: 18 per cent).

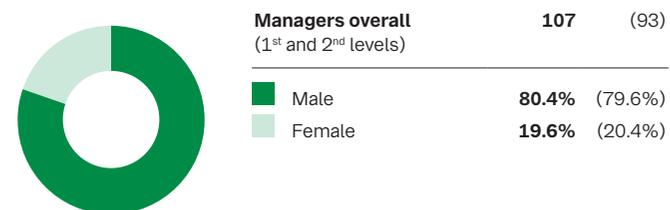
Compared with the previous year, the proportion of female employees at BayWa AG is almost constant at 25 per cent. In the consolidated subsidiaries, the proportion of female employees was 31 per cent. The proportion of women on the Supervisory Board totalled 25 per cent (2017: 19 per cent).

Women in management positions at BayWa Group (1st and 2nd levels)



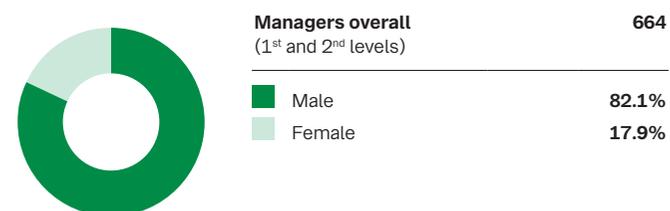
	2017	2018
BayWa AG	18	21
Subsidiaries		119
BayWa Group		140

Management positions by gender at BayWa AG 2018



Comparable figures from 2017 in brackets

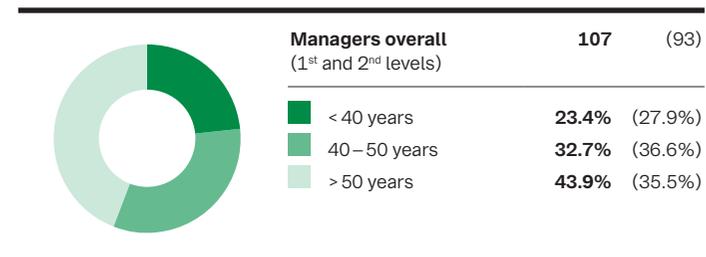
Management positions by gender at subsidiaries 2018



Since 2018, BayWa has included male/female/diverse in the abbreviated form (m/f/d) in its job advertisements for every position. This ensures that people of all sexual orientations are included.

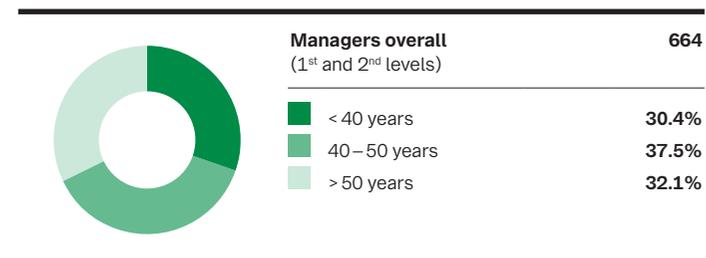
94 per cent of the employees at BayWa AG fall under the BayWa pay scale. As a result, there are no differences in pay between women and men. As in the previous year, neither BayWa AG nor any of the subsidiaries were made aware of any cases of discrimination in 2018. In 2018, 2.2 per cent (2017: 2.2 per cent) of BayWa AG employees went on parental leave, 90 per cent of whom were women (2017: 88.5 per cent). 12.3 per cent of employees were working part-time in 2018 (2017: 16.6 per cent). Of these, 70.2 per cent were female (2017: 62.4 per cent). At the subsidiaries, the proportion of employees in part-time employment was 9.8 per cent, of whom 69.7 per cent were female. People with a disability accounted for 2.2 per cent of employees at BayWa AG during the reporting period (2017: 2.6 per cent). In the subsidiaries, the proportion of employees with a disability was 1.2 per cent in 2018.

Age structure management positions at BayWa AG 2018



Comparable figures from 2017 in brackets

Age structure management positions at subsidiaries 2018



Training and professional development

In November 2018, over 330

members of the management team from the BayWa Group companies came together for the Leadership College management conference at the Munich headquarters. The motto for this year's conference was "BayWa DNA – Diversity of green". Along with a lecture on BayWa culture, a number of workshops were held on the topics of diversity, unity and excellence.

Professional development is key to ensuring the competitiveness of companies over the long term, while training is key to ensuring the employability of people. Companies that promote the professional and personal development of their employees secure an edge for themselves with regard to expertise, the satisfaction of their employees and their attractiveness to people on the job market. In light of this, professional development and training are key components of BayWa's human resources strategy. Nowadays, young people in particular expect companies to facilitate a high degree of personal development. This means that even a traditional trading group such as BayWa must now compete for employees. Attractive training and professional development programmes are therefore crucial for recruiting and retaining junior staff.

Guidelines, structures and processes

Training and professional development are part of the human resources strategy of BayWa AG, which takes a three-pronged approach to employee development: a systematic training structure, a range of in-house and external seminars and development programmes for employees and managers, and the annual employee assessment.

As a training provider, BayWa plays an important role in assuring the next generation of talent. Young employees are systematically prepared for a profession in 16 apprenticeships. Apart from technical training, the development of social and methodological skills also plays a major role in this process and is a key element of the training structure.

Objectives

Through its development programmes, BayWa aims to ensure that specialists and managers are highly and uniformly qualified, thereby rooting an entrepreneurial approach within its corporate culture.

The topic of sustainability is now a fixed component of the training programme at BayWa. In future, BayWa will also provide its employees with regular training on its sustainability strategy and make suggestions on how they can contribute. In addition, managers are slated to complete training courses that aim to raise their awareness of stakeholder expectations. For this purpose we will prepare and implement the appropriate training programmes by the end of 2019. A further focus for the coming years is the promotion of diversity and equal opportunity in the management career path, with a focus on promoting female management (Diversity and equal opportunity, page 63).

Measures

Seminars and training courses focus on strengthening personal and social skills, technical and methodological skills, as well as business and leadership skills.

One mandatory management tool for all full- and part-time BayWa AG employees is the annual employee assessment conducted with their respective managers. Based on the competence model, managers and employees identify personal strengths and areas for improvement, and establish specific steps for professional development.

T&G Global has a performance development framework in place and also added a related online capability in 2017. The T&G Academy offers professional development and training programmes with regard to compliance, management development, health, safety as well as technical and operational skills.

The BayWa r.e. “Future Energy Leadership Experience” programme (FLEX)

has been running since November 2017. As part of the staff development programme, future managers can strengthen their knowledge and capabilities in the areas of leadership and entrepreneurship. The focus is on providing individual support to the participants (currently 14) from five different countries. In 2019, FLEX will move into its second round.

Performance indicator and results

In 2018, 10,162 participants took advantage of training days at BayWa AG (2017: 7,645). The number of training hours per employee was 13.8 hours (2017: 15.6). 8,152 employees made use of training sessions at the subsidiaries in the reporting year. This equates to 13.7 training hours per employee.

The employee assessments covered approximately 34.7 per cent of all employees at BayWa AG in 2018 (2017: approximately 43 per cent). At the subsidiaries, assessments were conducted with 39.5 per cent of all employees in the reporting year.

Average number of training hours 2018



	BayWa AG ¹		Subsidiaries	BayWa Group
	2017	2018	2018	2018
Number of employees participating in training	7,645	10,162	8,152	18,314
Number of hours per capita overall	15.6	13.8	13.7	13.7
Number of hours per capita female	11.3	10.0	14.5	12.6
Number of hours per capita male	17.0	15.0	13.4	14.2
Number of hours per capita industrial	12.1	11.2	23.7	18.0
Number of hours per capita commercial	17.4	15.1	8.2	11.5

¹ Due to a modified data collection method, the figures are not directly comparable with 2017.



BayWa “Ideenschmiede” – scope for innovation and personal development

“Ideenschmiede” (think tank) is the name given to the qualification programme for top performers and high-potential employees at BayWa. The 13-month development programme centres around the topics of innovation and creativity. At the same time, the Ideenschmiede offers participants a space for networking and personal development. Workshops and seminars allow them to become acquainted with innovative tools such as design thinking, discover how they can utilise various networking channels effectively in both the real and digital world, and further develop their own strengths and skills at the same time. Last year, for example, the participants in the Ideenschmiede jointly worked on designing the communication for the farm management system “NEXT Farming” to have more emotional appeal.

The Ideenschmiede has proved its worth as a personal development programme, and spring 2019 will mark its fifth round.

Occupational health and safety

BayWa's health management

scheme promotes employee health and safety through various means, particularly prevention. Among others, the measures include health seminars on coping with stress, healthy eating, exercise and relaxation.

Employees spend a large portion of their lives at companies. Working conditions can motivate them, as well as prevent stress and harm to their health. By providing a healthy working environment, BayWa helps its employees to stay healthy and thereby ensures greater quality of life for them outside the workplace. At the same time, this approach enables the company to decrease the number of absences caused by illness, which come at a high cost and affect operations.

Guidelines, structures and processes

With its 18 employees, BayWa AG's Corporate Environment, Health & Safety (EHS) organisational unit is a Group-wide point of contact for employee health and safety concerns, while also crafting international standards. In that function, the organisational unit reports directly to the members of the Board of Management. The mandate "Safety, Health and Environmental Management", approved in 2016, establishes responsibilities for EHS and specifies the tasks and powers of Corporate EHS. All Group companies have a coordinator who is in charge of these matters.

The ISO 45001 standard published in March 2018 was the first such global standard for occupational health and safety management systems. The BayWa environmental, health and safety guidelines, which will come into effect in 2019, are aligned with this standard. The guidelines define the minimum measures to be taken for

matters of occupational health and safety and environmental management at every BayWa location. This will apply to all businesses and employees within the BayWa Group. EHS management software is available for all locations to allow for the implementation of the individual measures.

The occupational health management structure is based on a working group, the addiction officer, EHS coordinators and cooperation partners. In addition, the BayWa AG occupational health and safety committee meets twice a year to exchange information and ideas concerning current topics and measures in the area of occupational health and safety.

BayWa AG employees who are considered especially at risk in the industrial sector include warehouse staff and professional drivers, as well as employees in workshop areas, such as agricultural machinery mechanics and customer service for milking operations. The requests submitted through the employer's liability insurance association in 2018 regarding suspicions of occupational illnesses afflicting current or former employees were looked into. BayWa AG's occupational reintegration management system provides employees suffering from longer-term or frequent illnesses with optimum support. BayWa AG examines how accidents can be avoided and working conditions can be improved by means of its employee suggestion scheme. BayWa AG has kept systematic records of accidents at work since 1974.

In order to satisfy the continuously increasing requirements in the renewable energies sector for the field of the EHS, the Corporate EHS unit at BayWa AG and the BayWa r.e. Group companies are currently preparing a global occupational health and safety management plan.

The BayWa AG EHS and PR/Corporate Communications organisational units must be informed immediately if any of the following work-related accidents or incidents occur: serious occupational accidents or occupational accidents resulting in death as well as incidents that impact the environment. An extensive catalogue for personal protective equipment and a comprehensive training programme on prevention in occupational safety help prevent accidents and injuries at BayWa AG and its subsidiaries.

BayWa AG's EHS is pressing ahead with Group-wide EHS reporting at regular intervals via the companies' respective EHS officers, and it is currently establishing performance indicators and processes. In addition to the EHS mandate, Cefetra has designated its own occupational health and safety officers. Cefetra employees face the greatest safety risks during external meetings and appointments. A risk analysis is currently being performed in this regard. All incidents are reported internally, and serious incidents are reported to BayWa.

Objectives

BayWa aims to continuously reduce the number of accidents at work through Group-wide provisions in EHS with a focus on prevention. A further BayWa objective is to reduce days of absence.

In addition, the number of ISO 45001 certifications for management systems for occupational health and safety at work is to be increased from the current one certification at BayWa r.e. Rotor Service GmbH to three at other companies of the BayWa r.e. Group in 2019.

Furthermore, Corporate EHS together with the BayWa r.e. companies are currently preparing a global occupational health and safety management plan. This is designed to enable all BayWa r.e. companies to achieve certification under ISO 45001. With this measure, the company aims to satisfy the continuously increasing requirements in the renewable energies sector for the field of EHS and also strengthen awareness for risks involved in working with electrical facilities or at heights among management and employees. Special attention is given to reviewing subcontractors and service providers.

In 2018 a total of 1,300 BayWa AG employees participated in 78 training sessions on health and safety (2017: 1,954).

Measures

The health management team offers all Group employees in Germany the opportunity to participate in health seminars led by Kolping on such topics as boosting their resilience, mindfulness and healthy eating.

In addition, a uniform Group-wide process for the recording and analysis of all incidents relating to matters of occupational health and safety and environmental management will be implemented from 2019. This will enable BayWa to ensure the correct documentation required by law. Furthermore, the management system described enables systematic post-processing of accidents to reduce hazards and thereby contributes to the well-being of employees.

Performance indicator and results

At 3.4 per cent, the rate of illness at BayWa AG in 2018 remained almost unchanged in comparison with the previous year (2017: 3.3 per cent). The subsidiaries recorded a rate of illness of 2.8 per cent in the reporting period.

One unfortunate occupational accident occurred at BayWa Group in the reporting year 2018 which resulted in death.

Since 2017, BayWa Health Management has been assuming the cost for health training, which has been taken up by 154 employees to date. These seminars help promote employee health with a specific focus on the prevention of mental and psychological strain.

Occupational accidents 2018



	2017	2018
BayWa AG	262	247
Subsidiaries	-	1,457
BayWa Group	-	1,704



Quality of Life

BayWa's core business is closely linked to basic human needs. BayWa wants to improve people's quality of life by its products and services. These should be safe and of high-quality, which is on the one hand ensured by compliance with guidelines and processes. On the other hand, BayWa maintains very high quality standards. The complete recording of suppliers guarantees high transparency as products can be traced back to their origin. In addition, customers can rely on an area-wide consultation. BayWa offers agricultural companies comprehensive support in terms of efficiency and sustainability. Through the BayWa Foundation, the company supports projects in Germany and throughout the world in the fields of education, sports and the environment.

- › **Product responsibility**
- › **BayWa Foundation and sponsorships**



Bastian Trini on the topic of sustainability in the BayWa canteen

INTERVIEW

Sustainability at the BayWa company restaurant

Balanced and healthy nutrition means quality of life. This is no news to staff at the BayWa Munich headquarters' company restaurant, who place great value on both culinary enjoyment and sustainability. That is why regional and seasonal produce play an important role for Bastian Trini, manager of BayWa company catering, when planning the menu.

What makes your canteen programme especially sustainable?

Trini: We get fresh deliveries every day, whether it be fruit, vegetables, meat or fish. We source 70 per cent of our food from within a radius of 198 kilometres, which saves on delivery routes. The majority comes from certified organic cultivation. That also helps to protect the environment. In addition, we take care to reduce packaging, and in our canteen we only give out food containers that are 100 per cent biodegradable. We've introduced the RECUP System in the cafeteria, so instead of paper cups there are reusable cups to go.

You value freshness. That means that throwing out food is often unavoidable. How do you plan for demand at the BayWa canteen?

Trini: We rely on our experience and only prepare a certain amount in advance. If a dish runs out, we prefer to cook more at that time, in order to avoid producing too much. Our motto is: Less is more! If there are meals left over, we offer them the next day as specials at a lower price. All that allows us to use fewer resources.

What is your recipe for happy guests?

Trini: We have close contact with them. I myself work at the food counter several times a week, and you can also find me out on the floor cooking. That's the best way for me to find out if the restaurant patrons are happy with the food, and at the same time I can let them know about the ingredients, where they are sourced from and their quality. Our GenussZeit employees also regularly receive training at the GenussZeit Academy so that they can provide information to the patrons.

What other plans do you have for the future?

Trini: BayWa has established beehives on-site at the Munich headquarters and is making its own honey. We would like to process that honey. We also plan to plant our own on-site herb garden.

“To conserve resources, we source the majority of our food from the region.”

Product responsibility

Guaranteeing product safety and, with it, the protection of customers, employees and the environment is a key concern for BayWa. At the same time, it is a challenging task, because as Europe's largest agricultural supplier, global purveyor and marketer of fruits, and trader of energy carriers, the company is confronted with a wide range of different national quality and safety standards. Defective products that wind up on the market can result in a tarnished reputation – especially when it comes to food – and entail liability claims for the company. Complex supply chains further complicate efforts to check and ensure safety and quality standards.

Guidelines, structures and processes

At BayWa, product responsibility is a key issue in Group-wide sustainability management. The quality management teams in the respective business units bear responsibility for this concern, while in the unit Agri Trade & Service, responsibility has been assigned to the relevant product area managers. The divisions and subsidiaries of the RWA Group also have independent responsibility for the topic.

Thanks to close collaboration between producers, production and marketing, systematic traceability and comprehensive residue monitoring, the company meets or exceeds the strict legal standards, especially in the food and feedstuffs product unit. The selection of reliable suppliers and neutral inspection bodies also plays a pivotal role and contributes to product and process safety.

Products containing hazardous substances are subject to special labelling obligations regarding their origins, ingredients and use, as are feedstuffs and seed. BayWa complies with those special labelling obligations. The corporate Environment, Health & Safety (EHS) organisational unit holds regular training courses for all business units to ensure that all relevant BayWa employees are informed about current requirements. At the RWA Group, such training is carried out internally by the individual specialist areas.

In accordance with legal requirements, BayWa AG sends safety data sheets and any updates directly to professional users, and it makes approximately 17,000 such documents for hazardous goods and substances available on the internet and intranet.

Agri Trade & Service

All locations of the BayWa Agri Supply & Trade (BAST) and Agri Trade & Service (formerly: BayWa Agricultural Sales (BAV)) business units of BayWa AG which record, store and trade grain and feedstuffs in bulk, as well as all bulk shipments (made by truck, rail or ship) of grain and feedstuffs, are certified in accordance with the GMP + B3 (trade, origination, storage and handling) or GMP + B4 (transport) feedstuffs safety standards. The "UNSER LAGERHAUS" agricultural locations that record, store and trade grain and feedstuffs in bulk are also GMP certified.

All locations of the BayWa Agri

Supply & Trade (BAST) and Agricultural business units of BayWa AG that collect, store and trade grain and feedstuffs in bulk, as well as all bulk shipments (by truck, rail or ship) of grain and feedstuffs, are certified in accordance with the GMP+ B3 (trade, origination, storage and handling) or GMP+ B4 (transport) feedstuffs safety standards.

The share of non-genetically modified soya meal compared to the total amount of soya meal sold rose from 9.7 per cent to 18.3 per cent.

In 2018, BayWa Agriculture recorded around 1.17 million tonnes (2017: 1.75 million tonnes) of sustainable grain and 290,586 tonnes (2017: 486,827 tonnes) of sustainable oilseed. That volume of grain (1.17 million tonnes) is EU-certified in accordance with the REDcert sustainability standard and satisfies the GMP+ B 3 feedstuffs safety standard. The share of non-genetically modified soya meal compared to the total amount of soya meal sold rose to 18.3 per cent in 2018 (2017: 9.7 per cent). 81.7 per cent (2017: 90.3 per cent) of the traded soy meal is genetically modified, which is still subject to a special labelling requirement. Approximately 50 BayWa locations have been VLOG certified since mid-2018. That allows farmers participating in non-genetically modified programmes to be supplied with certified feeds that do not require labelling.

The subsidiary Cefetra B.V. has set up a standard to certify soya production. This Certified Responsible Soya (CRS) standard was found to be compliant with the European Feed Manufacturers' Federation (FEFAC) sourcing guidelines. Cefetra B.V. also undergoes auditing in accordance with the following standards:

- Good Manufacturing Practice (GMP+International)
- Good Trading Practice (GTP)
- Cert ID Non-GMO Standard
- International Sustainability and Carbon Certificate (ISCC)
- With respect to quality, environmental and social standards in line with its membership in the Roundtable on Sustainable Palm Oil (RSPO) and the Round Table on Responsible Soy Association (RTRS)

RWA AG uses the legally stipulated method to inspect seed – from suppliers as well as that which the company itself produces – from those crops subject to the Austrian Ordinance on Genetically Modified Seed. Products that test positive are not accepted. "UNSER LAGERHAUS" also meets the high legal requirements and quality standards of customers, especially in mixed feed production, through regular sampling for laboratory testing and external audits.

The Building Materials business unit

offers around 5,400 emission-tested products (2017: 3,000), which are issued with the corresponding certificate from the manufacturer or BayWa. Of the approximately 250,000 building material products, 2 per cent are particularly and verifiably low-emission and may carry the BayWa BauGesund seal of quality.

In 2018, the pome fruit area

cultivated by BayWa according to organic criteria accounted for around 20 per cent of the total area as in the previous year.

Global Produce

BayWa Obst GmbH and TFC Holland B.V.'s warehouse and packing locations fulfil the requirements of the food standards of Qualität und Sicherheit (QS), the International Featured Standards (IFS) and the Global Standard for Food Safety of the British Retail Consortium (BRC), and undergo annual auditing by neutral, accredited inspection bodies. BayWa Obst GmbH's locations are recognised for the recording of products from organic farming pursuant to the European Council regulation on organic production. TFC Holland B.V. is a certified processor and trader in fair trade products. The Ravensburg and Maasdijk, Netherlands locations are also certified processors of organic fruit. The producers are certified under the combined QS-GAP quality standard, which contains the guidelines of GLOBALG.A.P, a global standard for the sustainable production of agricultural produce, and of the Qualität und Sicherheit food standards (QS). They also fulfil the requirements of regional labels, such as Regionalfenster, which informs consumers of the product's origin and the location where it was processed. In 2017, BayWa Obst GmbH amended the self-disclosure obligation for suppliers by requesting compliance with the core labour standards of the International Labour Organization (ILO).

In 2018, the area used by BayWa for organically grown pome fruit accounted for around 20 per cent (2017: 20 per cent) of the total area.

Building Materials

Through a wide range of products and services, BayWa makes safe, healthy and environmentally friendly construction a reality for customers. Among other things, this includes planning for homes that are healthy to live in and consultation on energy standards. The Building Materials business unit offers some 5,400 emissions-tested products (2017: 3,000) that receive the corresponding verification thanks to tests performed by the manufacturer, the certification body Technischer Überwachungsverein (TÜV) or BayWa. Almost 2 per cent of the approximately 250,000 building material products have particularly and verifiably low emissions and may therefore carry the BayWa BauGesund seal. Around 5 per cent of building materials are environmentally relevant products, while less than 1 per cent of items are subject to labelling requirements as hazardous goods.

Energy

BayWa AG's Conventional Energy business unit has implemented the DIN ISO 9001:2015 quality management standard. Regular internal and external audits assess whether, for example, purchased wood pellets meet the requirements of the standard. Where applicable, corrective and preventative measures are taken. BayWa has been ok-power certified for green electricity since 2012. Among other things, the seal of quality certifies that 100 per cent of BayWa's conventional energy is generated in Europe. The r.e. mix green electricity product has been TÜV certified since 2011. BayWa and r.e.mix green gas are composed of at least 10 per cent biomethane and are also TÜV certified.

Since autumn 2018, BayWa AG

has been a member of Biokreis e. V., the fourth-largest growers association in Germany for organic farming. Membership will allow BayWa to record the grain of the 1,300 Biokreis farmers across Germany in future. By harvest time in 2019, BayWa and Biokreis aim to establish and expand the appropriate regional recording structures.

Objectives, measures and results

Since 2016, BayWa has been supporting organic farmers with the “BayWa Öko” concept through a wide range of products and services. Today, 127 locations have already been certified for trade in organically produced goods. Since autumn 2018, BayWa AG has been a member of Biokreis e. V., Germany’s fourth largest organic farming association. In the future, that membership will allow BayWa to record grain from the 1,300 Biokreis farmers in Germany. BayWa and Biokreis plan to establish and develop appropriate regional recording structures by the 2019 harvest. In addition, RWA AG’s “Unser Bio” range has been exclusively offering products that comply with the European Council regulation on organic production since 2016.

In 2018, BayWa launched its own seal for labelling healthy building materials with the aim of helping customers select and combine the right products. Only products that pass the internal control process will receive the seal, known as the “BayWa BauGesund-Siegel”. As part of these efforts, a review of the most important independent certifications will be performed, and a BayWa expert will be responsible for awarding the seal. The long-term objective is to increase the amount of low-emission building materials that promote healthy living conditions to 5 per cent by 2020.

In the reporting year there was an incident of damage caused by third parties at a BayWa AG location, in which overflowing fuel caused soil pollution. The authorities were called in. The appropriate remedial action is still in progress. To ensure the proper handling and storage of hazardous substances in future, the data

on hazardous substances and safety data sheets must be updated regularly. As a result, EHS is pressing ahead with a Group-wide content management system for data on hazardous substances, which is scheduled to be in place by the end of 2017. It is expected to be implemented by 2020.

Efficiency and resource conservation for farmers

Agricultural productivity needs to rise significantly to safeguard the global food supply while minimising agricultural sprawl. BayWa supports its customers in maximising agricultural yields and conserving resources through sustainable services for protecting soil fertility, among other goals, and innovative products such as high-performance varieties. Environmentally friendly technologies, such as the “E-Pura” electronic seed treatment as an alternative to chemicals, or the “Optifert Check” soil analysis as the basis for optimised fertilisation planning, are complemented by an extensive sales and consulting network.

Together with its subsidiaries FarmFacts and VISTA, BayWa is also playing a pioneering role in the digitalisation of agriculture. Since 2016, it has pooled its activities in the Innovation & Digitalisation development business unit. The NEXT Farming digital solution enables even small and medium-sized farms to make use of modern farm management systems. Digital solutions are productive in Germany and other places around the world, as tests in sub-Saharan Africa reveal. Through the use of satellite information, for example, it is possible to advise farms on the management of arable land and transfer knowledge from the base in Germany.

BayWa Foundation and sponsorships

In 2018, the BayWa Foundation

funded 25 long-term educational projects worldwide. Many of them are positively associated with the following United Nations Sustainable Development Goals (SDGs): Good Health and Well-Being (SDG 3), Quality Education (SDG 4), Affordable and Clean Energy (SDG 7), Climate Action (SDG 13) and Life on Land (SDG 15).

Companies that are actively committed to improving the well-being of people and the environment beyond their actual core business can increase their acceptance in society. Approaches that shed light on new business prospects can have a positive impact on companies' innovative capabilities. This principle applies all the more whenever commitment to society is thematically tied to the business purpose of an enterprise.

Guidelines, structures and processes

The BayWa Foundation was established in 1998 to fulfil and further develop the Group's commitment to society. It is a public, civil-law foundation with legal capacity and has its registered office in Munich. It operates under the oversight of the government of Upper Bavaria, and is regularly audited by an auditor. The principles and founding objectives of the BayWa Foundation are laid down therein.

In addition, the BayWa Foundation acts in accordance with the Code of Conduct of BayWa AG. Regular audits take place, in which the Foundation's work is monitored and reviewed.

The Foundation's board comprises three members who are appointed by the Board of Management of BayWa AG. The BayWa Foundation's Board of Management appointed a managing director, who steers the work of the Foundation. The managing director reports directly to the BayWa Foundation's Board of Management. BayWa AG covers the administrative costs and doubles donations so that 200 per cent of the money the Foundation receives goes towards projects that it funds. In 2018, the Foundation funded 25 long-term educational projects worldwide.

Objectives

The numerous education projects of the BayWa Foundation are positively associated with the following five UN Sustainable Development Goals (SDGs):



Good Health and Well-Being: The BayWa Foundation's nutrition education programme "Gemüse pflanzen. Gesundheit ernten" (planting vegetables, harvesting health) creates awareness of healthy nutrition in childhood.



Quality Education: The BayWa Foundation's commitment to the Deutschlandstipendium (Germany scholarship) and educational initiatives strengthen education for a sustainable future.



Affordable and Clean Energy: In connection with the biogas project, the BayWa Foundation is increasing awareness of the use of renewable energy in Africa.



Climate Action: The BayWa Foundation is making a contribution to climate protection by passing on knowledge regarding sustainable interaction with nature in many of its projects.



Life on Land: The BayWa Foundation nurtures children's awareness of where food comes from with school gardens or farm visits.



BayWa Foundation

The “Waldschule” project,

which was launched by the BayWa Foundation in 2018, allows primary school children to experience the forest ecosystem and contribute to the conservation of native forests by planting trees.

For 2019 and the years beyond, the BayWa Foundation plans to further develop the existing educational projects on healthy nutrition and renewable energy both in Germany and around the world. BayWa Foundation projects are described in more detail in the section on Measures.

Internationally, the BayWa Foundation is focussing on helping people to help themselves. In Africa in particular, the Foundation is pressing ahead with its existing educational projects. For example, funding of training courses for young women in Zambia is to be continued. The biogas project in Tanzania will also be developed further. Together with the aid organisation “Change Development”, the BayWa Foundation aims to open up long-term prospects for residents through micro loans and co-operative structures.

The “Waldschule” (forest school) project is to be expanded over the coming years, with the “Gemüse pflanzen. Gesundheit ernten” nutrition education programme also being continued. Further school gardens will be built and nutrition compasses will be distributed to primary schools in Bavaria. Healthy nutrition is the basis for needs-based, healthy eating and drinking. It can contribute to promoting and maintaining human growth, development and fitness and health for a lifetime. The nutrition compass explains how balanced and healthy eating can be implemented in practice. As part of its nutrition education, the BayWa Foundation also plans to support the biotopia learning laboratory from 2019.

Measures

The BayWa Foundation held a training programme on personal strengths at the Sonderpädagogisches Förderzentrum (special education support centre) in Munich-Neuperlach for students from difficult social circumstances for the first time in 2018. The “Waldschule” project, which was launched by the BayWa Foundation in 2018, allows primary school children to experience the forest ecosystem and contribute to the conservation of native forests by planting trees.

International projects, especially in Africa, are geared towards providing long-term assistance to help people help themselves. In Zambia, young mothers in need receive support in the form of education and childcare on their way to leading independent lives. In Tanzania, the BayWa Foundation supports the construction of biogas plants and the transfer of knowledge concerning the field of biogas. This is important as to this day many households in Tanzania use open wood fires to cook, which is very damaging to health. The joint construction of biogas plants as an alternative energy source provides households with clean cooking fuel and valuable fertiliser for their fields. In addition, jobs are created as part of the project and living conditions for farmers are improved. Together with the aid organisation “Change Development”, the BayWa Foundation is working on further developing local expertise and making the technology more widely available.

Over 130 gardens for around 9,750 children have already been planted at schools since the launch of the “Gemüse pflanzen. Gesundheit ernten” project in 2013. More than 1,200 schools have received a total of approximately 40,000 copies of the teaching and activity book “Der Ernährungskompass” for use in instruction.



Education for a sustainable world: the BayWa Foundation’s school projects

Today, many children spend more time on their smart phones than they do outdoors. Their relationship to their natural environment often gets lost as a result. This is what the BayWa Foundation aims to address with education projects: on forest excursions or in their own school gardens, students learn valuable information about plants, animals and nutrition from primary school on. This enables them to experience and learn the value of nature with all their senses as they are guided by experienced teachers in their environmental projects.

Results

In 2018, the Foundation provided €1,329,268 in financing for 42 projects in 7 countries. In 2017, funding amounted to €698,000 for a total of 38 projects. The total sum for projects in the field of healthy nutrition was €882,697 in the reporting year.

In addition, the BayWa Foundation distributed 40,000 copies of the teaching and activity book “Der Ernährungskompass” (the nutrition compass) to primary schools in Bavaria last year. Ten additional schools were provided with a school garden. A total of 11 school classes from primary and special schools in Bavaria and Baden-Württemberg took part in the pilot project “Die Waldschule” in 2018. In addition, the BayWa Foundation continued as an active school sponsor of the Sonderpädagogisches Förderzentrum in Munich-Neuperlach. In 2018, the centre offered students training on personal strengths for the first time, allowing them to prepare for job interviews.

Annual foundation funding

	2017	2018
BayWa Foundation	698,000	1,329,268

Internationally, the BayWa Foundation supported 20 young female single parents through the “Teenage Mother Empowerment” training programme in Zambia. The biogas project in Tanzania was further developed jointly with project partner Campus for Change.

Since its foundation in 1998, the BayWa Foundation has carried out a total of 63 national and international social education projects on healthy nutrition and renewable energy. The BayWa Foundation celebrated its 20th anniversary in 2018.

During the reporting year, BayWa AG donated a total of €800,798, of which €711,151 went to the projects of the BayWa Foundation. Apart from the Foundation, which supports science, research and education, BayWa's corporate social responsibility has traditionally also extended to promoting sporting activities in Munich. In 2018, BayWa supported FC Bayern as the main sponsor of its basketball team for the fourth season and continued to make a contribution to top-level sports. Since the 2016/17 season, greater focus has been placed on sustainability and recyclable material has been used in the production of materials for sponsorship-related communications and instituting a CO₂ offset regime.



Volunteering: BayWa employees get involved

30 BayWa employees found out just how much fun it can be to do something for a good cause and make use of handi-crafts to build something with colleagues and children when they took part in the BayWa Social Days last year. They dedicated an entire day to working on BayWa Foundation projects. Their joint efforts created a garden house for the Tillmann Kinderhaus in Munich, for example, and a school garden for the children of a primary school in Würzburg and Töging. At Christmas, baking festive biscuits in the Sonderpädagogisches Förderzentrum in Neuperlach in Munich was on the programme. The fact that the children also lent a helping hand with the projects made for an animated exchange. Given the numerous positive experiences, the Social Days will be organised again in the coming year.

BayWa's sustainability objectives

BayWa's sustainability objectives to 2020

Environment and Climate	Reduction of CO₂ emissions	<ul style="list-style-type: none"> Establishment of a strategic energy management system Development of a CO₂ reduction target for BayWa's global activities Measurement and management of all location-specific sources of emissions (Scopes 1 and 2) and the inclusion of emissions from the up- and downstream value chain from 2018 Continuous identification and implementation of reduction measures – expansion of carbon-neutral activities
	Transport and logistics	<ul style="list-style-type: none"> Efficient and sustainable design of transport and logistic processes
Market	Governance and data quality	<ul style="list-style-type: none"> Clear processes and contacts for sustainability issues Greater transparency based on the consistent collection of social and environmental data Measurement and management of sustainability performance through defined performance indicators and targets
	Code of Conduct for suppliers	<ul style="list-style-type: none"> Code of Conduct for suppliers based on BayWa AG's Code of Conduct Short-term objective: putting greater focus on human rights within Group-wide risk management Medium-term objective: getting 10 per cent of BayWa AG's most important suppliers to sign Long-term objective: getting all suppliers to sign
Employees	Employee training	<ul style="list-style-type: none"> Regular training on challenges, strategy, objectives and measures with regard to sustainability; encouraging employees to help shape the company's efforts Making managers aware of stakeholder expectations; providing them with the motivation to take initiative
Quality of Life	Future scenarios for quality of life	<ul style="list-style-type: none"> Development of future scenarios by cross-departmental and cross-business-unit groups of experts Analysis of long-term societal changes and the value creation processes that arise as a result Working out ways that BayWa can contribute to sustainable development

Achievement of objectives in 2018

<ul style="list-style-type: none"> Preparation and adoption of the BayWa Climate Strategy 2025 Finalisation and communication of guidelines applying across the Group for the procurement of carbon credits Implementation of carbon-neutral supply (of heating oil and wood pellets) in the Conventional Energy business unit Carbon neutrality of BayWa r.e. and the German locations of Global Produce Planning for the expansion of climate neutrality to additional international locations of Global Produce Integration of all fully consolidated companies in sustainability reporting Admission to the Allianz für Entwicklung und Klima (alliance for development and climate) of the Federal Ministry for Economic Cooperation and Development (BMZ)
<ul style="list-style-type: none"> Optimised fleet management, reduced emissions related to logistics in the Conventional Energy business unit Adoption of reduction targets for Scope 1 emissions of minus 22 per cent by 2025 in comparison with 2017 Revision of the vehicle fleet guidelines with the objective of electrifying the car fleet
<ul style="list-style-type: none"> Expansion of sustainability reporting to the entire Group Group-wide introduction of a tool for recording relevant sustainability data Nomination of permanent points of contact for all Group companies for data collection
<ul style="list-style-type: none"> Workshops carried out on the subject of sustainable supply chain management in the BayWa Building Materials Segment to increase awareness of opportunities and risks for sustainability along the value creation chain. 100 per cent of BayWa AG suppliers in high-risk countries screened
<ul style="list-style-type: none"> Management conference with the key topics of diversity, unity and excellence. 2,804 workers trained in compliance (classroom and online training sessions) as well as 12,920 employees on data protection and information security 1,300 BayWa AG employees participated in a total of 78 training sessions on how to handle environmentally relevant products, the transport of hazardous goods, and the storage and delivery of hazardous substances
<ul style="list-style-type: none"> BayWa membership of organic association Biokreis Holding several Social Days together with the BayWa Foundation to promote the social involvement of BayWa employees

Assurance Statement

Independent auditor’s report on a limited assurance engagement

To BayWa Aktiengesellschaft, Munich

Our engagement

We have performed a limited assurance engagement on the separate non-financial Group Report of BayWa Aktiengesellschaft, Munich, (hereinafter: “the Company”) in accordance with Section 315b German Commercial Code (HGB), which was combined with the non-financial Report of the parent company in accordance with Section 289b German Commercial Code (HGB) for the period from 1 January to 31 December 2018 (hereinafter: “Non-Financial Group Report”). This Non-Financial Group Report consists of the sections and other information listed in the overview on page 13 of the “Sustainability Report 2018” of BayWa Aktiengesellschaft, Munich. Our engagement applied to the Non-Financial Group Report within the German language version of the sustainability report. Our engagement has not covered other sections and disclosures of the sustainability report, and also did not cover references to websites.

Responsibility of the executive directors

The executive directors of BayWa Aktiengesellschaft are responsible for the preparation of the Non-Financial Group Report in accordance with Sections 315b, 315c German Commercial Code (HGB) in connection with Sections 289c to 289e German Commercial Code (HGB).

In preparing the Non-Financial Group Report, the executive directors used the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and have indicated these within the Non-Financial Group Report.

This responsibility of the Company’s executive directors includes the selection and application of appropriate methods for preparing the Non-Financial Group Report as well as making assumptions and estimates related to individual non-financial disclosures, which are reasonable in the circumstances. In addition, the executive directors are responsible for such internal control they have determined necessary to enable the preparation of the Non-Financial Group Report that is free from material misstatements, whether intentional or unintentional.

Practitioner’s responsibility

Our responsibility is to express a limited assurance conclusion on the Non-Financial Group Report, based on the assurance engagement we have performed.

We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit company applies the German national legal requirements and the German profession’s pronouncements for quality control, in particular the by-laws governing the rights and duties of public auditors and chartered accountants (Berufssatzung für

Contents	Introduction	Strategy and Governance	Market	Environment and Climate	Employees	Quality of Life	Appendix
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Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

We conducted our assurance engagement in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement in a form that enables us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the information disclosed in the Non-Financial Group Report has not complied, in all material respects, with Sections 315b, 315c in connection with Sections 289c to 289e German Commercial Code (HGB). In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner’s professional judgment.

Within the scope of our limited assurance engagement, which was performed from September 2018 to March 2019, we conducted, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement

- On-site visits to the subsidiaries BayWa r.e. renewable energy GmbH, Munich/Germany and RWA Raiffeisen Ware Austria AG, Vienna/Austria as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interview of the executive directors and relevant employees that participated in the preparation of the Non-Financial Group Report about the process of preparation, the measures on hand and precautionary measures (system) for the preparation of the Non-Financial Group Report as well as about the information within the Non-Financial Group Report
- Identification of the risks of material misstatement within the Non-Financial Group Report
- Analytical evaluation of selected disclosures within the Non-Financial Group Report
- Reconciliation of the disclosures within the Non-Financial Group Report with the respective data within the consolidated financial statements as well as the management report
- Evaluation of the presentation of the disclosures.

Practitioner’s conclusion

Based on the assurance work performed and evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the Non-Financial Group Report of the Company, for the period from January 1 to December 31, 2018 has not complied, in all material aspects, with Sections 315b, 315c German Commercial Code (HGB) in connection with Sections 289c to 289e German Commercial Code (HGB).

Contents	Introduction	Strategy and Governance	Market	Environment and Climate	Employees	Quality of Life	Appendix
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The audit opinion only covers the sections and other information listed in the overview on page 13 of the “Sustainability Report 2018” of BayWa Aktiengesellschaft, Munich. Our opinion does not cover the other sections and disclosures in the Sustainability Report, and does not cover references to websites.

Purpose of the assurance statement

We issue this report on the basis of the engagement agreed with BayWa Aktiengesellschaft, Munich. The limited assurance engagement has been performed for purposes of BayWa Aktiengesellschaft, Munich, and the report is solely intended to inform BayWa Aktiengesellschaft, Munich, on the results of the assurance engagement.

Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility exclusively refers to BayWa Aktiengesellschaft, Munich, and is also restricted under the engagement agreed with BayWa Aktiengesellschaft, Munich, on August 8, 2018 as well as in accordance with the “General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German public auditors and German public audit firms)” from January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. We do not assume any responsibility to third parties.

Munich/Germany, 26 March 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Cornelia Tauber
(German Public Auditor)

Signed: p.p. Thomas Krick

GRI Content Index



This report has been prepared in accordance with the GRI Standards: Core Option. This sustainability report “Living Unity. Acting Responsibly” has successfully undergone the GRI Materiality Disclosure. The GRI Services Team has confirmed that the “materiality disclosures” (GRI 102-40 – 102-49) are located correctly.

Disclosures	Page	Comments
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Organizational Profile		
GRI 102-1 Name of the organization	04	
GRI 102-2 Activities, brands, products and services	06/07	
GRI 102-3 Location of headquarters	06, 16	
GRI 102-4 Location of operations	06	
GRI 102-5 Ownership and legal form	06	
GRI 102-6 Markets served	06	
GRI 102-7 Scale of the organization	06, 23 – 25; Consolidated Financial Statements 60	
GRI 102-8 Information on employees and other workers	61/62, 65	
GRI 102-9 Supply chain	27, 29 – 35	
GRI 102-10 Significant changes to the organization and its supply chain	24/25; Consolidated Financial Statements, Consolidated Balance Sheet 1	
GRI 102-11 Precautionary principle or approach	16/17	
GRI 102-12 External initiatives	04, 29, 50, 71, 76	
GRI 102-13 Membership of associations	21	
Strategy		
GRI 102-14 Statement from senior decision-maker	03	
GRI 102-15 Key impacts, risks, and opportunities	11 – 14, 17	

Disclosures	Page	Comments
Ethics and integrity		
GRI 102-16 Values, principles, standards, and norms of behavior	15	
Governance		
GRI 102-18 Governance structure	16; Consolidated Financial Statements 200	
GRI 102-19 Delegating authority	14, 16	
Stakeholder engagement		
GRI 102-40 List of stakeholder groups	09, 21	
GRI 102-41 Collective bargaining agreements	63	
GRI 102-42 Identifying and selecting stakeholders	09, 21	
GRI 102-43 Approach to stakeholder engagement	21	
GRI 102-44 Key topics and concerns raised	09, 21	
Reporting practice		
GRI 102-45 Entities included in the consolidated financial statements	04; Consolidated Financial Statements 78	
GRI 102-46 Defining report content and topic boundaries	04, 09 – 14	
GRI 102-47 List of material topics	11/12	
GRI 102-48 Restatements of information	05	
GRI 102-49 Changes in reporting	04	
GRI 102-50 Reporting period	04	
GRI 102-51 Date of most recent report	9 April 2018	
GRI 102-52 Reporting cycle	Yearly	
GRI 102-53 Contact point for questions regarding the report	Imprint	
GRI 102-54 Claims of reporting in accordance with the GRI Standards	85	
GRI 102-55 GRI content index	85 – 90	
GRI 102-56 External assurance	Assurance Statement	

Disclosures	Page	Comments
Material Topics		
GRI 201: Economic Performance 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	06/07, 23	
GRI 201-1 Direct economic value generated and distributed	06, 17, 23/24; Consolidated Financial Statements 140	
GRI 201-2 Financial implications and other risks and opportunities due to climate change	17	
GRI 202: Market Presence 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	22, 60/61, 63	
GRI 202-2 Proportion of senior management hired from the local community		BayWa AG and subsidiaries define the scope of regional differently. Thus, BayWa does currently not record this data. In the short term a group-wide definition of regional is to be developed. In the medium-term the firm aims to report on the proportion.
GRI 203: Indirect Economic Impacts 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	77	
GRI 203-1 Infrastructure investments and services supported	78–80	
GRI 205: Anti-corruption 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	18/19	
GRI 205-2 Communication and training about anti-corruption policies and procedures	16/20	
GRI 206: Anti-competitive Behavior 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	18/19	
GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	20	
GRI 302: Energy 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	43–45	
GRI 302-1 Energy consumption within the organization	47	
GRI 302-3 Energy intensity	47	
OG 3 Total amount of renewable energy generated	50	

Disclosures	Page	Comments
GRI 305: Emissions 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	43 – 46	
GRI 305-1 Direct (Scope 1) GHG emissions	48/49	
GRI 305-2 Energy indirect (Scope 2) GHG emissions	48/49	
GRI 305-4 GHG emissions intensity	48	
GRI 306: Effluents and Waste 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	52/53	
GRI 306-2 Waste by type and disposal method	53/54	
GRI 306-3 Significant spills	54, 76	
GRI 307: Environmental Compliance 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	39, 52	
GRI 307-1 Non-compliance with environmental laws and regulations	54, 76	
GRI 308: Supplier Environmental Assessment 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	27/28, 73 – 76	
GRI 308-1 New suppliers that were screened using environmental criteria	27/28	The percentage of new suppliers cannot be reported at this time, as the data is not available. BayWa is working on establishing a system for collecting the data in future. Key to these efforts is a Code of Conduct for suppliers, which we will roll out as the first step by 2020.
GRI 401: Employment 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	60/61	
GRI 401-1 New employee hires and employee turnover	61/62	
GRI 401-3 Parental leave	65	
GRI 402: Labor/Management Relations 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	21	
GRI 402-1 Minimum notice periods regarding operational changes		BayWa complies with the respective regional legal requirements with regard to notification deadlines for operational changes.

Disclosures	Page	Comments
GRI 403: Occupational Health and Safety 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	68/69	
GRI 403-1 Occupational health and safety management system	68	
GRI 403-2 Hazard identification, risk assessment, and incident investigation	70	
GRI 403-3 Occupational health services	69	
GRI 404: Training and Education 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	66/67	
GRI 404-1 Average hours of training per year per employee	67	
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	67	
GRI 405: Diversity and Equal Opportunity 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	63–65	
GRI 405-1 Diversity of governance bodies and employees	16, 64/65	
GRI 406: Non-discrimination 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	63–65	
GRI 406-1 Incidents of discrimination and corrective actions taken		BayWa was not made aware of any cases of discrimination in 2018.
GRI 412: Human Rights Assessment 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	36/37	
GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	37	
GRI 414: Supplier Social Assessment 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	36/37	
GRI 414-1 New suppliers that were screened using social criteria		The percentage of new suppliers cannot be reported at this time, as the data is not available. BayWa is working on establishing a system for collecting the data in future. Key to these efforts is a Code of Conduct for suppliers, which we will roll out as the first step by 2020.

Disclosures	Page	Comments
GRI 415: Public Policy 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	21, 24	
GRI 415-1 Political contributions	24	
GRI 416: Customer Health and Safety 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	73–76	
GRI 416-1 Assessment of the health and safety impacts of product and service categories	73–76	
GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		There were no incidents of non-compliance in the reporting year with regard to health and safety impacts of products and services.
GRI 417: Marketing and Labeling 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	73–76	
GRI 417-2 Incidents of non-compliance concerning product and service information and labeling		There were no incidents of non-compliance in the reporting year with regard to product information and labelling requirements.
GRI 419: Socioeconomic Compliance 2016		
GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3)	15, 18/19	
GRI 419-1 Non-compliance with laws and regulations in the social and economic area	20	

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