

# EUROKAI Non-Financial Group Report for 2018

## Introduction

This Non-Financial Group Report pursuant to Section 315b of the German Commercial Code (HGB) relates to the EUROKAI Group for the business year 2018. It is available publicly on our internet site at:

[http://www.eurokai.de/eurokai\\_en/Eurokai/Investor-Relations/Corporate-Governance](http://www.eurokai.de/eurokai_en/Eurokai/Investor-Relations/Corporate-Governance)

## Enterprise and business model

The focus of work in the companies consolidated in the EUROKAI Group is on container handling in continental Europe. The companies operate container terminals, in some cases with partners, at La Spezia, Gioia Tauro, Cagliari, Ravenna and Salerno in Italy, in Hamburg, in Bremerhaven, in Wilhelmshaven, in Lisbon (Portugal), Tangier (Morocco), Limassol (Cyprus) and Ust-Luga (Russia). The EUROGATE Group further has shareholdings in a number of inland terminals and railway-operating companies.

Secondary services are provided in the form of intermodal services (carriage of sea containers to and from the terminals), repairs, depot storage and trading of containers, cargo-modal services, and technical services.

The EUROKAI Group is managed via three segments: CONTSHIP Italia, EUROGATE and EUROKAI, the joint-venture company EUROGATE, pursuant to the regulations of IFRS 11, being incorporated in the EUROKAI Group "at equity." EUROKAI is a financial-holding company.

## This Report

All information refers to the parent company, including those domestic and foreign companies which EUROKAI incorporates into its Group Financial Statement or which are classified as affiliated companies.

This Report covers the material companies. No report is made here of those companies in which the EUROKAI Group participates via minority shareholdings outside Germany, since they must be categorised as relatively minor as regards to their share in the business result and the potential for exertion of influence<sup>1</sup>. Different information is characterised as such. This Report treats of matters which are necessary to understand the course of business, the

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<sup>1</sup> The companies in question are: EUROGATE Tanger S.A., TangerMedGate Management S.a.r.l., HVCC Hamburg Vessel Coordination Center GmbH, CONTRAIL Logistica S.A., OJSC Ust-Luga Container Terminal, EUROGATE Container Terminal Limassol Ltd., IPN Inland Port Network GmbH & Co. KG, Medgate FeederXpress Ltd., J.F. Müller & Sohn AG, Spedemar S.r.l., Con-Tug S.r.l., Terminal Container Ravenna S.p.A., La Spezia Shunting Railways S.p.A., Immobiliare Rubiera S.r.l., La Spezia Reefer Center S.r.l., Contrepaire S.p.A., Contrepaire Manovre Ferroviarie S.r.l., FLOYD Zrt.

business result and situation of the Group and of the impact of its business activity on non-financial aspects. It references the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards 2016). The description of the concepts set out here has been drawn up referencing the Standard 103 of the Global Reporting Initiative (GRI). The management of these aspects does not follow any Group-wide approach. Instead, these matters are managed non-centrally in the corporate groups. Accordingly the following pages set out both the concept for CONTSHIP Italia and the concept for EUROGATE. In considering the aspects, report is made of selected key non-financial figures which reflect the relevant GRI Standard for the matter concerned.

As part of the report process we have checked whether risks exist which are linked with our own business activity, our business relations, and with our products and services, and which have or will have serious negative impacts on the non-financial aspects as set out in law and have a high likelihood of eventuation. The outcome has shown no net risks as defined in the German CSR Implementation Act (CSR-RUG).

### **Importance of sustainability**

For EUROKAI sustainability means, above all, ensuring the future viability of the Corporate Group. Therefore, on the basis of a stable economic development, in its business activity and internal processes, EUROKAI pays equal attention to economic efficiency, environmental protection and social responsibility. Compliance with legislation and internal guidelines forms the natural and basic prerequisite for daily work. Through efficient seaport operations EUROKAI enables its customers to enjoy the reliable carriage of goods, for the container terminals are the hubs of international trade. At the same time EUROKAI strengthens the local economy and provides jobs. Its business activity impacts on both people and environment, for instance through changes in the employment world or through the consumption of resources.

### **Materiality-determination process**

The non-central structure of the Group essentially governs the process of materiality determination for identifying, prioritising and validating the contents of this Report. In this process the materiality analyses, in accordance with the guidelines of the GRI, served as starting point at the level of CONTSHIP Italia and at the level of EUROGATE.

In selecting the material topics in this Report these particular materiality analyses have been used as the basic materiality threshold for the initial prioritisation of topics. The main topics in the Non-Financial Report have been derived therefrom in the following pages. These demonstrate on the one hand a high degree of relevance for an understanding of the course of business and situation of the Group. On the other hand, the Group's business activity impacts particularly on the aspects set out in the German CSR Implementation Act (CSR-RUG). This process is coordinated by the Strategy Department with support from the Energy and Sustainability Management Department and also involves the legal representatives of EUROKAI in the decision-making process. The outcome of this process comprises three

material non-financial aspects: energy consumption (environmental matters), health and safety at work (employee matters), and the combatting of bribery and corruption.

### **External audit**

The contents of this Non-Financial Report have been subjected to an audit in accordance with ISAE 3000 (revised) with limited audit assurance.

## **Environmental matters – energy consumption and energy intensity**

Large amounts of energy are employed in carrying out the Group's business activities. Energy consumption is a major control factor in resource management and has a direct impact on the costs incurred, and thus on the business result. Most of this energy consumption is due to the use of diesel, which for instance is needed to drive the straddle carriers for supplying container-handling services at the terminals. Further material energy consumers are container bridges, buildings and open-area lighting. Electricity and gas, for instance, are also used as energy providers in these areas.

Energy consumption is at the same time an essential environmental issue, since it uses natural resources and creates emissions. Limitation of climate change and minimisation of the impact of climate change, a socially significant issue, is – together with the cost aspect – a further driver of activity at EUROKAI.

The strategic orientation of the two segments consolidated in the EUROKAI Group, CONTSHIP Italia and EUROGATE, differ in issues of energy consumption and as regards their progress.

**CONTSHIP Italia:** Apart from the purchase of energy CONTSHIP Italia manages its concept for energy reduction non-centrally. All companies in the CONTSHIP Italia Group have a Code of Conduct which fixes Group values and guidelines. This also covers the reduction of energy consumption. Each employee is required to declare his adherence to this principle. Line managers and management bodies are expected to encourage and promote a resource-saving attitude. The container terminals are certified in accordance with Environmental Management ISO 14001. Each local management is incorporated in this process and as part of the management system. At the level of the individual companies analyses are undertaken of energy-consumption figures and of the financial impact of targeted savings. Formal, quantitative savings targets are not set, but there exists the qualitative goal of absolute reduction in energy consumption compared with the previous year. Energy audits are carried out at least every four years in accordance with EU Resolution 2012/27; the first audit took place in 2015 and the next one will be at the end of 2019. From these audits are drawn suggestions for possible measures to reduce energy consumption.

In 2018 work began to retrofit LED lighting on various terminal cranes. At La Spezia Container Terminal a total of 6 container bridges were further converted to LED lighting. Conversion of further equipment (track-bound and rubber-tyred gantry cranes) will be continued in 2019.

**EUROGATE:** Management of energy use at EUROGATE is undertaken centrally through the holding company of the EUROGATE Group (EUROGATE Holding). All German terminals follow internal energy-policy guidelines. A defined reduction target for energy consumption has been developed based on these guidelines: by 2020 energy consumption per moved container is to be reduced by 20% in comparison with 2008. There is also a reduction target for lowering emissions (by 25% per moved container by 2020 compared with 2008). Since CO<sub>2</sub> emissions are closely linked in the business with the consumption of fossil fuels, management takes place on the basis of input (use of energy), not of output (CO<sub>2</sub> emissions). In this context EUROGATE is investing in renewable energy for self-supply. When undertaking capital investments and making purchasing decisions, energy efficiency is a deciding criterion.

The certified energy management system under DIN EN ISO 50001, being an applied due diligence process, plays a central role in energy management and its further development. As part of the energy management system the consumption of energy is analysed and evaluated in regular workshops. Both, the consumption of energy and all projects, both completed and planned by those in charge, are summarised in an annual management review and submitted to the managing directors of the individual companies. Evaluation of improvement to energy efficiency is carried out here with reference to the targets set.

Various major and minor measures come into play in dealing with the energy efficiency of the main energy consumers. Measures are continually undertaken and projects carried out for the utilisation of potential savings, e.g. a detailed collection and evaluation of consumption data for the straddle carriers. The focus is on a continual reduction in the use of fossil fuels. Energy-efficiency measures have both a technical and operational focus. EUROGATE continues to make every effort to strengthen its employees' sense of responsibility with regard to resource saving, e.g. by training employees in resource-saving methods of driving straddle carriers. Additionally, the year 2018 saw the publication of an Energy Puzzle in the Staff Newsletter for all German locations, with the aim of encouraging energy-efficient attitudes across all terminals. EUROGATE constantly checks whether energy-efficient technologies can be employed. Thus in 2018 conversion of lighting was continued further on numerous straddle carriers, container bridges and in open areas.

Moreover EUROGATE itself generates renewable energy from two wind farms, four solar-energy plants, and two wood-chip power stations. It also runs three combined heat and power plants for highly efficient energy production.

The most important key performance indicators for CONTSHIP Italia and EUROGATE with regard to energy are:

- CONTSHIP Italia: trend of energy consumption in megawatt hours (MWh) in total
- EUROGATE: trend of energy intensity – energy consumption per container in per cent

Energy consumption is regularly scrutinised. The following table shows the current status of target attainment:

	<b>CONTSHIP Italia*</b>	<b>EUROGATE**</b>
Target	Reduction in energy consumption	Reduction in energy consumption of 20% per moved container by 2020 (compared with 2008)
Status 2017	145,317 MWh (including 9,959 MWh of renewable energy)	Reduction of 15.7 % per moved container
Status 2018	139,556 MWh (including 9,363 MWh of renewable energy)	Reduction of 16.8 % per moved container
Notes	A reduction has been achieved. This has been due mainly to the decline in handling volumes at the Cagliari International Container Terminal.	The improvement in energy intensity is mainly due to comprehensive conversion of open-area lighting to LED and to the implementation of operational measures.

\* Excluding quantities of fuel from purchased intermodal services and excluding heating-energy consumption in office buildings. Total energy consumption for 2017 has been corrected consequent upon the exclusion of the renewable energy produced by the firm itself, energy-consumption figures from break-bulk handling in La Spezia, and adjustment of a conversion factor.

\*\* In calculating the kWh statistics for containers, the container-related consumption figures for the principal companies (EUROGATE Container terminals, EUROGATE Technical Services GmbH and EUROGATE Holding) have been taken as a basis.

### **Employee matters – safety at work**

The protection of our own employees, and those from outside, against work-related injuries or sickness, and the maintenance of their health, is of great importance. The majority of the work performed is carried out using heavy equipment at the terminals (mainly straddle carriers and container bridges), and is subject to the impact of weather. The subject of safety-at-work is of a relevance above all other employee matters. Given the physical nature of this work and the deployment of much of our staff in a three-shift system, the promotion and protection of health is particularly important.

Safety at work involves not only the health and wellbeing of our employees, but also has a vital impact on their performance. In particular, handling work in our seaports requires a high level of safety awareness.

The management of safety at work and protection of health is the responsibility, both at CONTSHIP Italia and EUROGATE, of the individual companies and their respective managing directors, since it is influenced particularly by local factors. Nevertheless, the overarching objective of the EUROKAI Group is to minimise the number of industrial accidents and to prevent accident-related deaths. A fully formulated strategy for CONTSHIP Italia and EUROGATE is not available.

**CONTSHIP Italia:** In Italy strict statutory requirements are in force for the protection of workers' health. Both the management personally, and the companies themselves, may be subject to

arrest in case of proven misconduct. Based on these requirements, various structural and organisational measures are established. Each individual company analyses, documents and reports accidents to the Industrial Safety Officer and the competent government departments, pursuant to statutory requirements in Italy. All maritime container terminals in the CONTSHIP Italia-Group<sup>2</sup> are certified in accordance with OHSAS 18001.

**EUROGATE:** Management of safety at work, along with occupational health, is the responsibility of the individual companies and each of their managing directors. Based on the respective workflows and the Corporate Guideline entitled "Health, Safety and Environmental Protection" applying to all terminals in Germany, the individual companies and each of their management boards set guidelines and operating instructions for safety at work and update them constantly. As part of their duty of supervision, managers have a duty to assess dangers and to monitor compliance with the guidelines and operating instructions in their area of responsibility. Each terminal has an occupational health physician and a specialist in safety at work; safety officers are appointed.

Both at the Italian and German terminals technical and organisational measures have been taken to lower dangerous risks and reduce accidents. Ongoing measures include regular training courses and instruction sessions on safety standards and guidelines for accident avoidance, plus a check on their compliance. Standards are in force governing compliance with safety-at-work rules, e.g. the duty to wear personal protective clothing and equipment in the terminal. Workplaces are regularly inspected to assess dangers in the workplace and to advise on measures for risk minimisation. Any injuries which have been incurred and accidents which have taken place are categorised and evaluated.

At the German terminals, along with regular occupational health days, particular "safety days" are also organised, at which the subject of safety takes a central place for a day in various workshops and training courses. Managers also take part in these, since they bear particular responsibility in functioning as role models.

The most important key performance indicators for CONTSHIP Italia and EUROGATE with regard to safety at work and protection of health are:

- The number of notifiable accidents at work (including commuting accidents)
- The number of fatal accidents at work.

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<sup>2</sup> Medcenter Container Terminal S.p.A., La Spezia Container Terminal S.p.A., Cagliari International Container Terminal S.p.A.

The number of accidents at work is regularly checked as an indicator of industrial safety. The following table shows the current status of target attainment:

	<b>CONTSHIP Italia*</b>	<b>EUROGATE**</b>
Target	To minimise the number of industrial accidents and to prevent accident-related deaths	
Status 2017	Industrial accidents: 97 Accident-related deaths: none	Industrial accidents: 343 Accident-related deaths: none
Status 2018	Industrial accidents: 87 Accident-related deaths: none	Industrial accidents: 320 Accident-related deaths: none
Notes	The target for reducing industrial accidents has been met.	

\* In Italy accidents must be reported if a person is killed or so injured in an accident that he or she is unable to work for more than one day. The key statistic for CONTSHIP Italia does not cover accidents to temporary contract workers.

\*\* In Germany accidents must be reported if a person is killed or so injured in an accident that he or she is unable to work for more than three days. The key performance indicator for EUROGATE covers both accidents to its own employees and accidents to temporary contract workers. Because no account has been taken of the two joint ventures, North Sea Terminal Bremerhaven GmbH & Co and EUROKOMBI Terminal GmbH in the report for 2017, the previous year's information has been adjusted.

## Combating corruption and bribery

Fair, reliable conduct in accordance with set rules is a *sine qua non* for the long-term success of any company. In the EUROKAI Group the overarching term "compliance" is taken to mean adherence to statutory standards and internal company guidelines and every effort to follow them on the part of the EUROKAI Group companies. These include the relevant guidelines and principles governing the avoidance of bribery and corruption.

**CONTSHIP Italia:** The CONTSHIP Italia Group established a code of conduct in 2012 setting out the Group's core values. Corresponding Guidelines for Conduct, which reflect these values, supplement this Code. All activity must be consonant with the law, with the principles of fair competition, with honesty, integrity, fairness, good faith, with respect for the legitimate interests of customers, employees, shareholders, and commercial and financial partners. In 2018 the Code of Conduct was developed further as part of a Group-wide revision of its rule system.

Responsibility for adherence to compliance-related matters lies with the management of Contship Italia S.p.A., the holding company of the CONTSHIP Italia Group, and the management boards of each of the companies in the CONTSHIP Italia Group respectively. Internal audits support the identification of potential improvements to compliance with the Group's Guidelines. On the basis of the audit results each company develops an action plan, should significant discrepancies have been identified. Professional responsibility for monitoring compliance with guiding principles lies with the compliance-supervision bodies set up in 2018.

**EUROGATE:** In 2016 EUROGATE established a compliance management system, which comprises a Compliance Guideline covering a number of points, a Code of Conduct, and an

Anti-Corruption Guideline. These regulations came into force on 1 January 2017. The Guidelines and Code summarise the Group's values in the form of a commitment to fair and free competition and form the basis for our understanding of entrepreneurial compliance. These documents state that EUROGATE neither tolerates corruption nor allows discrimination. All commercial decisions must be consonant with the law and must be beyond ethical reproach.

Professional responsibility for the compliance management system lies with the Legal Department of the EUROGATE holding company. Responsibility for compliance with the Anti-Corruption Guideline lies with the Group Management Board and the management boards of each EUROGATE Group company respectively. Upon the introduction of the compliance management system EUROGATE appointed a Compliance Officer. An external ombudsman has been appointed, to whom the suspicion of a compliance breach may be reported anonymously at any time. Once a year an internal report by the Compliance Officer is submitted to the Group Management Board and the supervisory bodies. This contains inter alia an inventory of the main compliance risks and proposals for new measures or changes.

When the compliance regulations came into force all employees received the Anti-Corruption Guidelines and the Code of Conduct. This process was supported by the Compliance Officer in a communicative capacity at a number of works meetings. Building on the classroom courses which were held in 2017 upon introduction of the compliance management system, workshops took place in 2018 with sensitive areas in the company. Also in 2018 regular reporting took place in the Staff Magazine and Newsletters to provide employees with information and to make them better aware for preventive purposes.

Compliance management at North Sea Terminal Bremerhaven GmbH & Co. (NTB), operated as a joint venture by EUROGATE and APMT, is undertaken separately. The shareholders' Guidelines are discussed with the relevant employees at regular compliance courses. Thus both shareholders' compliance rules are likewise followed at NTB. Responsibility for this lies with the NTB Management Board. The internal Control Handbook sets out the company's main principles for combatting corruption and bribery. Annual training courses are organised in addition. These courses are held jointly with an external partner after the focal issues to be considered on these courses have been set in advance jointly with the Management Board. An annual risk inventory, an annual fraud-risk assessment and monthly evaluations of the internal control system serve to identify any impacts associated with this issue.

The most important key performance indicator for CONTSHIP Italia and EUROGATE is:

- The number of corruption cases confirmed



The number of corruption cases serves as a key performance indicator of the combat against corruption and bribery and is regularly scrutinised. The following table shows the current status of target attainment:

	<b>CONTSHIP Italia</b>	<b>EUROGATE</b>
<b>Target</b>	No cases of corruption	
<b>Status 2017</b>	-	None
<b>Status 2018</b>	-	None
<b>Notes</b>	In the business years 2017 and 2018 the basis of a system was drawn up for monitoring the guiding principles. In the course of the 2019 business year an anonymous information system will be set up, which will be managed by an external ombudsman.	The target was met. There were no confirmed cases of corruption in the year under review.

**Further aspects**

Issues of social welfare and human rights overall are rated as not significant or of subsidiary relevance for the EUROKAI Group with regard to risks and impacts on the course of business.

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