

ACTING RESPONSIBLY



BLG LOGISTICS

CARRIES CONVICTION
BY TAKING RESPONSIBLE
ACTION AND OFFERS ITS
CUSTOMERS SUSTAIN-
ABLE SOLUTIONS.



Ecological. Social. Economic.
Sustainable with BLG LOGISTICS

ABOUT THIS REPORT

Dear Reader,

What kind of logistics do we need to tackle the next decade? It has to be planned and managed even more intelligently. And what about logistics specialists? They have to be foresighted as far as the interplay between employees and technology is concerned. Observant of where consumption of power and fuel can be further reduced. Interested in new ideas, in other ways of finding solutions and, while working together every day, also in other views.



WOLF LAMPE
Head of Sustainability
and New Technologies

In the last two years the energy balance of our logistics centers and terminals has been made more transparent thanks to systematic preoccupation with consumption and consumers. The most important elements remain on-site commitment - interpretation of the data and subsequent action - and active support by corporate management.

In the interview on the post-growth economy Niko Paech tells us that, in the end, an increase in energy efficiency is only a means of delaying the inevitable end of economic growth. Doris Heitkamp-König and Prof. Dr. Jutta Berninghausen point out the challenge of coping with the complexity of cultural differences and making diversity an enhancing factor. In their presentation of lean management at BLG Dr. Anne Schweizer and Frank Höft provide a new view of the half full or half empty glass ...

Wolf Lampe
Head of Sustainability and New Technologies



04 FOREWORD OF THE CEO

06 PROFILE AND STRATEGY

14 ECOLOGICAL

16 Challenges and goals

17 Interview with Niko Paech on the "post-growth economy"

20 Key spheres of action and management approaches

23 Indicators

26 SOCIAL

28 Challenges and goals

29 Interview with Doris Heitkamp-König and Prof. Dr. Jutta Berninghausen
on "diversty management"

32 Employees

32 Key spheres of action and management approaches

35 Indicators

39 Social commitment

40 ECONOMIC

42 Challenges and goals

43 Interview with Dr. Anne Schweizer and Frank Höft on "lean management"

46 Key spheres of action and management approaches

49 Indicators

**52 REPORTING IN 2016,
CONTACT, PUBLISHING INFORMATION**

Ladies and Gentlemen,

When BREMER LAGERHAUS-GESELLSCHAFT was established 140 years ago, the term "sustainability" was only used in forestry. Nevertheless, the company could not have existed with such sustained success for so long if our actions had not been characterized by responsible use of our resources and a forward-looking view into the future. However, that also means constantly gearing ourselves to change or, better yet, shaping it.

In the first century after its establishment in 1877 BLG was a convincing player thanks to its high degree of craftsmanship in port cargo handling and early response to changes. Today we offer our customers a broad portfolio of services in our three divisions: CONTAINER, AUTOMOBILE and CONTRACT. Diversity is our answer to the challenges of the future. Wherever we see prospects of interest to us, we tap new segments, such as textile logistics or expansion of freight forwarding services. Together with our customers we develop innovative processes like the several-time award-winning automated order picking system "Stargate Meeting Point" in Frankfurt. New technologies also change the logistics processes along the entire supply chain. In close cooperation with the scientific community we develop lighthouse projects for "Logistics 4.0" because we view digitization as an opportunity to shape the future and improve our competitive position.

But even if transport containers control themselves and drones help with the inventory: our focus always remains on people. Winning over qualified employees and binding them to our company were never as important as today. We have hired more than 700 employees of personnel service providers as permanent staff members. We, too, feel the impacts of demographic change. That is why we sharpen our profile as an attractive employer, offer junior staff exciting career opportunities and invest in the initial and further training of our workforce. People from 65 nations work at BLG LOGISTICS. We are proud of this diversity. In 2016 we signed the Charter of Diversity and thus committed ourselves to ensuring a work environment in which difference is appreciated and can be practiced.

Our goal is to blend economic progress with social justice and ecological responsibility. We stand by the objective formulated in 2012 to reduce our greenhouse gas emissions by 20 percent by 2020. We set priority on efficient use of resources by saving energy and fuel and continuous improvement of our processes. The focus is on technological changes as well as new communication structures and pooling knowledge and expertise, particularly in a company that is so diverse as ours. In 2016 we took major steps to set the course in this direction. In an economically and politically volatile environment, therefore, I see BLG LOGISTICS remaining in an outstanding competitive position in 2017.



Frank Dreeke
Chairman of the Board of Management

FOREWORD OF THE CEO



»Our actions are characterized by responsible use of our resources and a forward-looking view into the future.«

Frank Dreeke / Chairman of the Board of Management /

BLG LOGISTICS: DIVERSITY OF HIGH QUALITY

Profile

BLG LOGISTICS GROUP AG & Co. KG has its core competencies in automobile, contract and container logistics. In these three segments we offer logistics services along the entire supply chain. Our clients include the leading German automakers as well as companies in commerce and trade.

The roots of our corporate group reach back to the year 1877. Today BLG LOGISTICS is a growing company that has developed into a logistics specialist with global operations and activities in Europe, America, Africa and Asia. In the 2016 financial year BLG LOGISTICS earned sales of 1.05 billion euros. We indicate detailed key figures in our Financial Report.

AUTOMOBILE AND CONTRACT LOGISTICS OF BLG LOGISTICS



PROFILE AND STRATEGY

From the manufacturer to the dealer

Our AUTOMOBILE Division offers all services for finished vehicles with a logistics spectrum extending from the manufacturer to the dealer. That includes cargo handling, storage, technical services and distribution via truck, rail and inland vessel. BLG AutoRail is a specialized provider of railborne vehicle transport by means of outstanding state-of-the-art and universally applicable equipment in Europe. The bases of our truck fleet range from Neuss to Moscow. Aside from seaport terminals in Bremerhaven, Cuxhaven and Hamburg as well as in Gioia Tauro, Gdansk and St. Petersburg, we operate inland terminals on the Rhine and Danube. With a volume of 6.3 million vehicles handled we maintained our position as leading automobile logistics specialist in Europe.

This financial year we entered into a partnership with the Grimaldi Group at our Italian site Gioia Tauro. The automobile shipping company acquired a 50 percent share of the Calabrian Auto Terminal in Gioia Tauro via its holding AUTOMAR. Up to now BLG LOGISTICS has operated the terminal entirely on its own.

Car parts, sneakers, frozen food

In the CONTRACT Division we offer all services along the supply chain for such diverse goods as car doors, rims, cookies, furniture, kitchens, bathroom fittings, railway components and frozen potato products. We store, deliver, pack and unpack, carry out conventional orders, online orders and returns and thus number among the leading German providers of logistics services. Our clientele includes major German and many international carmakers, for which we operate in the US, South America, South Africa and Eastern Europe.

In the 2016 financial year we laid the cornerstone for expansion of our new freight forwarding segment by acquiring the FORTRAGROUP. We also continue to expand our cold storage segment. The Dutch Kloosbeheer Group acquires 51 percent of our cold store in Bremerhaven. Through cooperation as Kloosterboer BLG Coldstore GmbH we target joint positioning in the temperature-controlled logistics sector in northern Germany. Effective as of January 1, 2016, we have taken over part of the plant logistics for a large German automaker in Leipzig. Apart from expansion of business relations with the client, the new business means we are strengthening our presence in Eastern Germany. Moreover, we officially started work in the first completed section of the new logistics center in the port of Düsseldorf and provide logistics services there for a customer in the automotive sector.

Container-related services

In our CONTAINER Division the EUROGATE joint venture has established itself as a leading, shipping-company-independent container terminal operator in Europe. In 2016 14.6 million standard containers (TEU) were handled. The strong market position is based on the pan-European terminal concept, supplemented by all services related to container traffic, including feeder services and intermodal networking with the hinterland. The EUROGATE terminal network encompasses the sites in Bremerhaven, Hamburg, Wilhelmshaven, Gioia Tauro, La Spezia, Cagliari, Ravenna, Salerno, Lisbon, Tangier and Ust Luga. The Limassol Container Terminal is another location that was added in the 2016 financial year.

EUROGATE publishes its own sustainability report. All further information in the report relates to our fully consolidated companies of the AUTOMOBILE and CONTRACT Divisions, including the holding company.

6.3
million
vehicles handled

14.6
million
containers handled

1.9
million
vehicles supplied
with parts

Corporate structure

The company is managed by a management company organized as a private enterprise, i.e. BREMER LAGERHAUS-GESELLSCHAFT –Aktiengesellschaft von 1877– with the Municipality of Bremen as the main shareholder. The Board of Management of the listed joint stock corporation manages the business of BLG LOGISTICS GROUP AG & Co. KG on its own responsibility. This structure guarantees a high degree of reliability and at the same time great flexibility. It also means the company has an exceptional social responsibility and needs a comprehensive and sustainable corporate policy.

Changes in the Board of Management and in the ownership structure

Jens Wollesen assumed responsibility for the CONTRACT Division as of July 1. At the beginning of the year the Director responsible for the AUTOMOBILE Division, Michael Blach, joined the Group Board of Directors of our container holding EUROGATE and thus assumes responsibility for the CONTAINER Division on the Board of Directors of BLG LOGISTICS. His successor in the AUTOMOBILE Division will be Andrea Eck. She comes from Volkswagen AG to join BLG LOGISTICS.

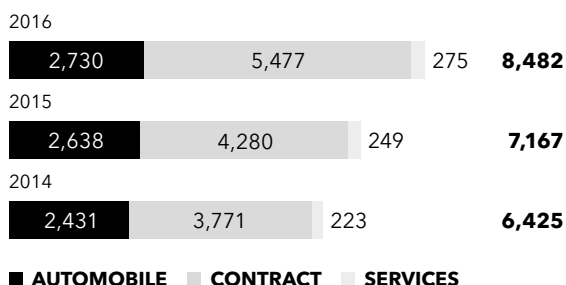
Employees

Our employees assume responsibility for smooth logistics of high-quality products day in and day out. An average of 8,482 employees worked in the fully consolidated companies of the AUTOMOBILE and CONTRACT Divisions (including holding company) in 2016, 7,220 of them in Germany, around half of them in Bremen and Bremerhaven. The world map on / page 6 / provides an overview of the distribution of the fully consolidated companies and of other countries with activities of the AUTOMOBILE and CONTRACT Divisions. You will find a detailed list of the investment holdings in our Financial Report for 2016.

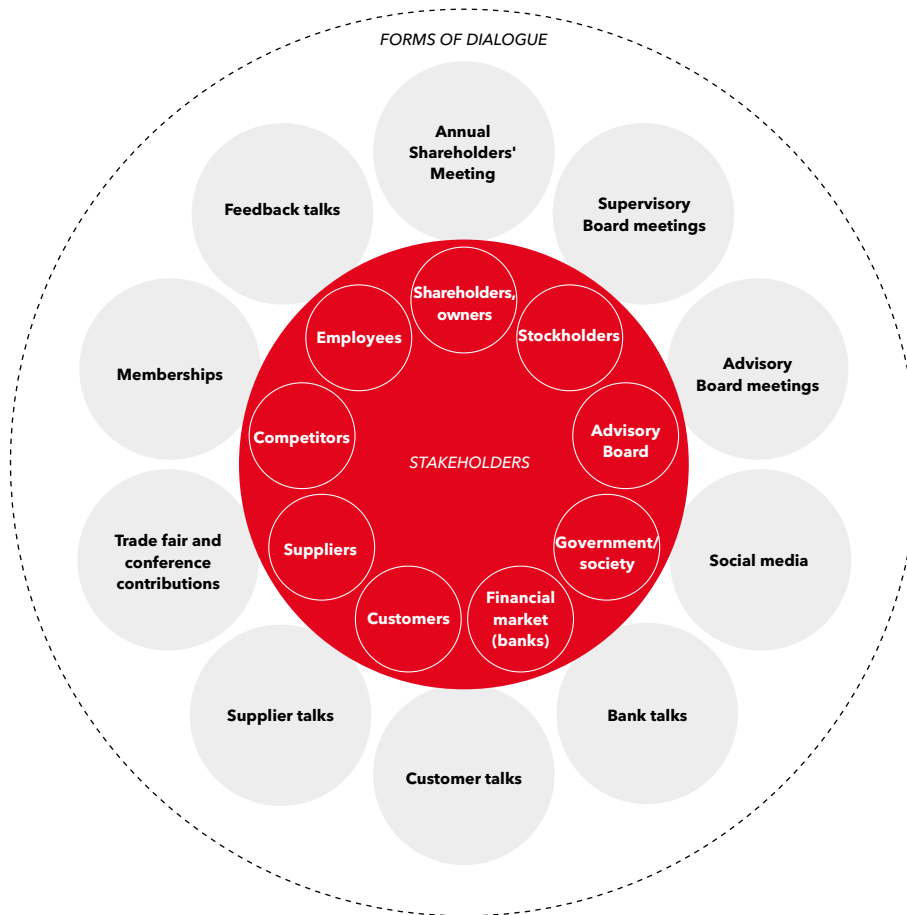
Because of the highly fluctuating sector-specific order situation, we as logistics specialists cannot do without temporary workers. Our commitment to the minimum wage also applies to them, of course. In Bremen and Bremerhaven we make preferential use of employees of the GHBV labor pool to cover order fluctuations on the basis of our historic origins as a port operating company. At our locations in Germany we took on a total of 720 employees from the GHBV labor pool as members of the permanent staff in 2015 and 2016. As of December 31, 2016, 63.7 percent of the staff here were our own employees, 9.6 percent were employees from the GHBV labor pool and 26.7 percent were employees from other personnel service providers.

Further information regarding personnel statistics and development are provided in detail in the SOCIAL section.

NUMBER OF EMPLOYEES ACCORDING TO DIVISION (average)



IN DIALOGUE WITH OUR STAKEHOLDERS



Strategy and management

BLG LOGISTICS was established 140 years ago. Sustainability has shaped our actions since then. We have never seen our economic activity solely as an end in itself. The objective was always the good of the city and its residents and securing jobs on a long-term basis. Particularly in view of climate

change and growing competitive pressure in a globalized society, however, there is an increasing need for a holistic concept for a comprehensive sustainability strategy. That is why our efforts are aimed at blending economic performance with social commitment and responsibility for our environment.



[www.blg-logistics.com/
mission-statement](http://www.blg-logistics.com/mission-statement)

Inclusion of our stakeholders

For us stakeholders are all persons or groups who, both inside and outside BLG LOGISTICS, are directly or indirectly affected by our business activities now or in the future and therefore have an interest in the development of our company. We strive to take the interests of all stakeholders in our goals in a balanced and appropriate manner. We maintain a continuous exchange with the majority of our stakeholders via feedback talks with our employees, memberships in associations and organizations, trade fair and conference contributions, talks with customers and banks, social media, public events and the Annual Shareholders' Meeting as well as Supervisory and Advisory Board meetings. Nearly all stakeholder groups of key importance to us are represented on the Supervisory Board via representatives from industry, banks, the workforce, trade unions and the public sector. The Advisory Board comprises scientists with the focus on sustainable logistics, process innovation in logistics and junior management training as well as representatives of our customers, trade associations and media.

MEMBERSHIPS IN ASSOCIATIONS, ORGANIZATIONS AND INITIATIVES

- _ Central Association of German Seaport Operators, Hamburg
- _ Bundesvereinigung Logistik (BVL)
- _ German for Freight Forwarding and Logistics, Bonn
- _ German Transport Forum, Berlin
- _ Förderverein Logistics Alliance Germany, Berlin
- _ AKJ Arbeitskreis Just-in-Time
- _ Charter of Diversity
- _ berufundfamilie®
- _ Lean & Green
- _ Partnership of Environmental Enterprises (PUU)

Through our memberships in associations, organizations and initiatives (see box) we also maintain contact to stakeholders. Our CEO Frank Dreeke was elected Chairman of the Central Association of German Seaport Operators (ZDS) in 2016. The ZDS represents 180 companies providing maritime cargo handling services in the ports in northern Germany. This makes it one of the most important interfaces between the port sector and the political arena. In 2016 the ZDS drew up environmental protection guidelines that were published on January 5, 2017.

Responsibilities

The Sustainability and New Technologies Department has been in charge of the activities of the individual BLG segments and departments involved in sustainability issues since 2011 and prepares the annual Sustainability Report. It calculates the CO₂ balance, manages development of cross-departmental energy management, lends support in implementing the energy policy defined by the Board of Management and provides impetus, particularly in terms of ecological sustainability. As a staff office, this executive department is linked directly to the CEO.

The Board of Management holds responsibility for extensively sustainable actions on the part of BLG LOGISTICS, but we are aware that this mission can only succeed if all employees are involved. This is a process that we promote via exemplary action by superiors as well as training and further training courses, but which is not complete by a long shot.

The HR Department assumes the main responsibility for all matters concerning our employees. Our management principles, which we have formulated in line with our mission statement, form the basis for our cooperation - staff management, support and development.

Values and mission

We have stipulated the legal and ethical standards that serve as our orientation in several guidelines.

KEY ELEMENTS OF CORPORATE GOVERNANCE STRUCTURES

- _ Declaration of Conformity of Board of Management and Supervisory Board,
- _ major practices of corporate management going beyond legal requirements,
- _ working approach of Board of Management and Supervisory Board as well as their composition.

Compliance

We have set up a comprehensive compliance system so as to adhere to legal regulations and ethical principles. BLG's Code of Conduct defines our standards and expectations with regard to daily dealings between staff members, executives and customers. Our owner, the Free Hanseatic City of Bremen, attaches special importance to compliance with fair and transparent tender and working conditions. This includes for example compliance with the minimum wage.

You will find detailed information on our activities in the field of compliance in the ECONOMIC section.

Risk management

Responsible handling of possible risks is a key element of solid corporate management for BLG. At the same time it is important to identify and exploit opportunities. Our opportunity and risk policy endeavors to increase the enterprise value without taking unreasonably great risks. The Board of Management assumes responsibility for formulating risk policy principles and for profit-oriented management of the overall risk. It regularly informs the Supervisory Board about risk-related decisions in connection with its dutiful assumption of responsi-

bility based on company law. Early identification of potential risks takes place within the framework of continuous risk controlling as well as risk management and reporting geared to the corporate structure based on company law. We give special consideration to risks linked to strategic decisions that may affect continuity of operations. There is a growing focus on risks that stem from climate change and environmental pollution, such as natural disasters that may lead to significant impairment or lack of availability of resources or loss of traffic connections particularly in connection with worldwide logistics networks.

We also ensure that no risks ensue for people, environment and society from our business activities. In the end such risks would damage our reputation as a company thus also become financial risks.



www.blg-logistics.com/en/corporate-governance



www.blg-logistics.com/en/compliance

RESPONSIBILITIES IN CONNECTION WITH RISK MANAGEMENT ORGANIZATION



Sustainability in the supply chain

As a logistics provider, we are one link of many in global supply chains with a high degree of complexity. We perform services along the entire supply chain.



[www.blg-logistics.com/
general-terms-of-contract-
and-purchase](http://www.blg-logistics.com/general-terms-of-contract-and-purchase)

OUR SERVICES AT A GLANCE

Cargo handling logistics

_ Extensive network of seaport and inland terminals

Procurement logistics

_ Ensuring availability of stocks via management and monitoring of procurement processes

Production logistics

_ Supplying final assembly through optimum preparation of parts and components

Distribution logistics

_ Distribution of goods from production plants or central warehouses to the customers

Transport logistics

_ Secure transport of finished vehicles and other goods via road and rail, on the water and in the air

Reverse logistics

_ All logistics processes for bringing goods or materials back to the product cycle

We also handle the entire supply chain management and organize integrated chains of logistics over the entire value added process in the areas of project management, process management, technology, IT and quality.

We predominantly work with products or components provided by our clients. We have no influence on the upstream processes of our customers. Wherever we ourselves initiate processes, such as in our purchasing processes and the working conditions of our employees, we ensure sustainable standards. Procurement by the Purchasing Department covers more than 100 material areas. The main procurement markets are located in Germany and bordering EU countries with high standards regarding sustainability.

Our general terms of contract and purchasing form the basis for every order, every procurement. Section 17 regulates our demands with regard to compliance, the environment, social responsibility and energy efficiency, which are oriented to the UN Global Compact. We stipulate, for instance, compliance with the legal regulations concerning dealings with employees, environmental protection and occupational safety, effective use of resources and minimization of environmental impacts, especially by waste, wastewater, air and noise pollution. At the same time the supplier is responsible for compliance with requirements resulting from section 17, also on the part of possible subcontractors.

To meet our standards with respect to social responsibility in accordance with sustainable business operations, we examine the relevant supply chains and exert an influence as far as possible. In 2016 we started systematic assessment of our suppliers. The criteria include quality and delivery reliability, environmental protection and sustainability. In this first year 31 suppliers were evaluated. Our goal is one hundred assessments per year.

The focus is on key procurement areas, such as trucks, forklifts, heating / sanitary facilities as well as paper and wood.

The way we deal with our business partners is characterized by responsibility and communication. We target long-term and stable relations to our business partners and in the event of problems initially focus on dialogue. Relations with suppliers that cannot comply with our requirements on a long-term basis will be terminated.

Defining relevant topics

The analysis conducted for 2015 regarding topics and spheres of action was updated and extended for the year under report. The specifications of the new Sustainability Reporting Standards of the Global Reporting Initiative (GRI) served as the basis for structuring of the report.

Our customers communicate the topics prioritized by them in the daily cooperation and via the regular survey of the depth of sustainability of their service providers by means of questionnaires on Corporate Social Responsibility (CSR). We have defined other topics for reporting year 2016 based on continuous communication with the corporate management of the BLG Group as well as decision-makers in the operational and central departments. We conduct a dialogue with our employees on their perception of BLG as an employer by way of feedback talks, workshops, further training and surveys.

Through these various communication channels / page 9 / it is possible to obtain a good overview of the topics that are important for our respective stakeholder groups. However, placement of the focus of these talks on sustainability and systematic compilation of key topics is not completely in place yet so it has to be structured more clearly in future. Accordingly, it is not yet possible for this report to present the topics identified as important in a quantifiable matrix.

Key spheres of action

We present the key spheres of action we have identified for reporting year 2016 in the dialogue with our stakeholders in an overview here. They are explained in further detail with their respective management approaches in the three focal points of ecological, social and economic sustainability.

For these aspects we have compiled indicators that enable us to track the goals we have set on a measurable basis. We are aware that our efforts to achieve holistically sustainable business activities should encompass the entire BLG Group, including our companies abroad. That is currently not yet possible, but they shall be integrated step by step by way of defined goals and actions. However, the focus this year, too, is still on domestic business, which at over 91 percent of total revenues of the fully consolidated locations clearly makes up the largest portion of our business activities.

KEY SPHERES OF ACTION 2016

Ecological

- _ Energy consumption/energy efficiency
- _ Greenhouse gas emissions

Social

- _ Fair and attractive working conditions
- _ Occupational safety and health protection
- _ Employee satisfaction
- _ Initial and further training
- _ Diversity/equal opportunity
- _ Social commitment

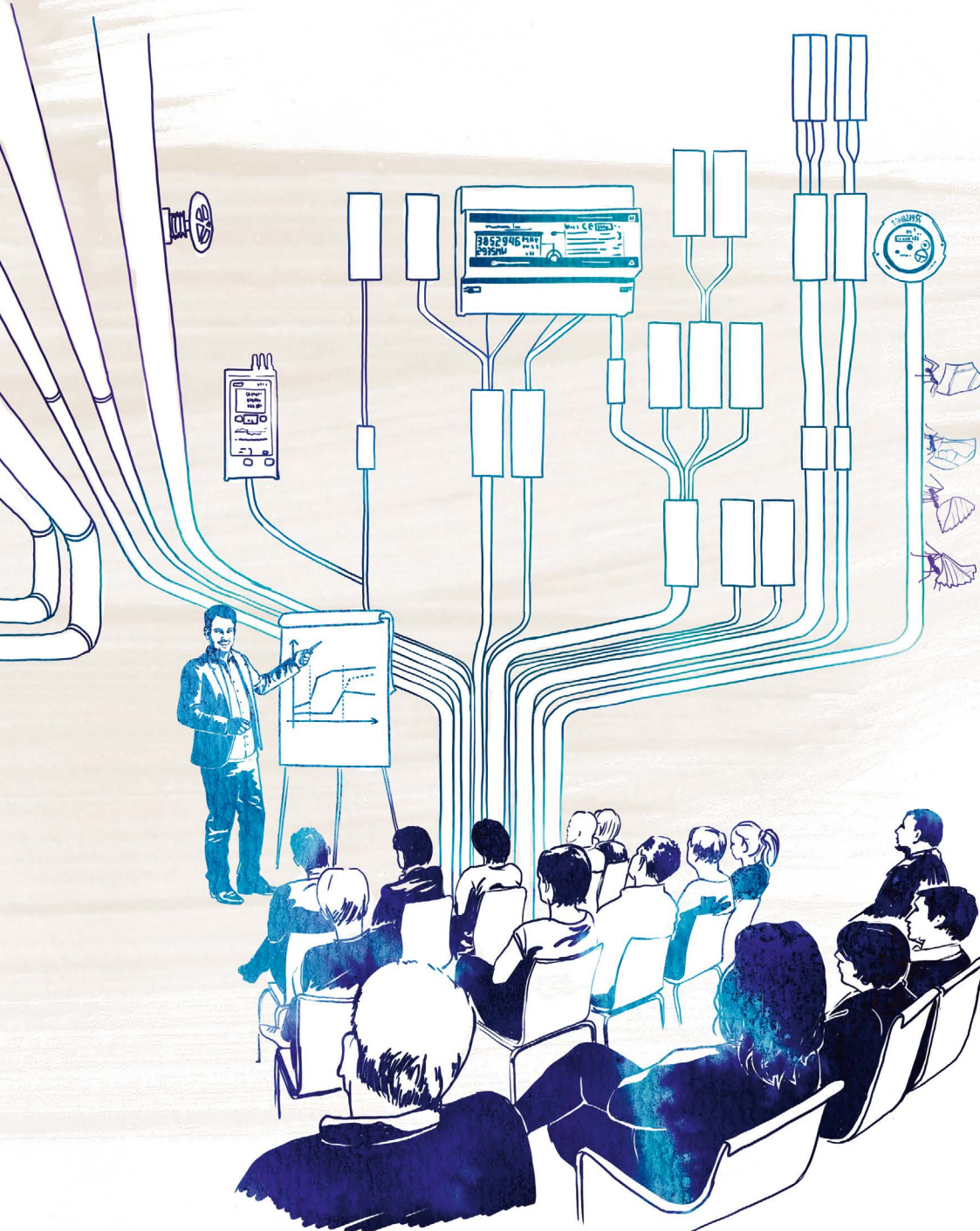
Economic

- _ Growth and economic performance
- _ Promoting quality, efficiency and innovation
- _ Compliance (combating corruption, anticompetitive behavior)



ECOLOGICAL

We create transparency and reduce our emissions.



CHALLENGES AND GOALS

Our responsibility

At the end of 2015 the United Nations reached a consensus on a follow-up agreement for international climate protection, which comes into force in November 2016. Germany is among the signatories. On the road to achievement of the ambitious goals there are many complex challenges, but no easy and quick solutions.

As a logistics company, we also have a responsibility for taking measures to protect the environment and natural resources since transportation and logistics generate considerable portions of the worldwide greenhouse gas emissions that are responsible for acceleration of climate change and Earth warming. As a major step, we make our energy consumption and greenhouse gas emissions transparent and develop measures for reducing them and increasing energy efficiency.

Sensitization to sustainability issues has grown. We feel that in the cooperation with our customers, too. They have long ceased being satisfied with general statements in tenders. Specific data and

key figures, compliance with standards and certificates on energy consumption and CO₂ emissions number among the contract award criteria. Ecological sustainability is thus becoming increasingly relevant on the competitive level.

Other stakeholder groups, such as the public and banks, increasingly demand from us compliance with sustainability standards and investments in energy efficiency. Further pressure to take action results when measures are taken that modify the legal framework, such as the Energy Services Act and the introduction of compulsory reporting on nonfinancial key figures.

Efficiency as an investment in the future

We see the combination of ecological and economic efficiency as a key prerequisite for the future viability of our company. The Board of Management of BLG LOGISTICS has committed itself to reducing our CO₂ emissions by 20 percent by 2020, starting from the base year 2011. Our goal is to make all our processes more efficient and less resource-consuming. Our ecological goals are also established in the guideline on energy policy adopted in February 2016. It states, among other things: "We are convinced that for logistics providers, too, responsible action and social acceptance are becoming more and more important in order to be and remain economically successful. Making our services efficient and less resource-consuming and being in a position to offer our customers high-quality, sustainable solutions represent a clear competitive edge."

GOALS

- **Transparency of energy consumption and greenhouse gas emissions**
 - **Increasing energy efficiency**
 - **Reducing greenhouse gas emissions by 20 percent by 2020**
-

THE ECONOMY HAS TO SHRINK

INTERVIEW WITH NIKO PAECH LECTURER AT THE UNIVERSITY OF SIEGEN AND ONE OF THE LEADING ADVOCATES OF THE POST-GROWTH ECONOMY



How do you define post-growth economy?

The post-growth economy describes a vision of the future for a combination of different supply systems beyond economic growth. That means production of a monetary value that flows into the gross domestic product is less in the post-growth economy than now. What is involved is not only avoidance of further economic growth, but also a shrinking process. Nevertheless, modern supply and self-fulfillment are possible, though within material limits. A post-growth economy is acceptable, of course, only under democratic conditions.

What could that be like?

The supply side in such an economy is based on a combination of three production systems: 1. the currently dominant industrial, globalized external supply on which we have become all too dependent; 2. a regional economic supply that is based on money, technology, markets and entrepreneurial creativity, but with shorter transport connections and a lower degree of specialization; and 3. pure self-sufficiency, without money, without technology, without market, without companies and without government. The transformation necessary for

a post-growth economy is based on dismantling the industrial sector by at least half, otherwise achievement of the 2°C degree climate protection target is inconceivable. The other two elements are, in turn, increasingly expanded. This would mean, among other things, that consumers alter their social role: they become prosumers.

What exactly are prosumers?

Through self-sufficiency services they help to make industrial production less necessary. That may take place in social networks and its objective is that things are used double as long or by several people. In this way less money and fewer working hours are required. But this doesn't mean that there is no longer any industrial production.

»Efficiency can only take the pressure off the environment if the economy ceases to grow.«

But significantly less and different?

If, for instance, we were to use all digital terminal devices in Germany double as long on average, the need for production and money to finance the devices would drop by about half. This would require structural change.

What role does logistics play in a post-growth economy?

Even the remaining half needs logistics. In a post-growth economy, too, there will have to be logistics. After all, coffee doesn't grow here on the dike and we won't produce smartphones in Germany because we have long surrendered the necessary core competence. Therefore, we have to import these devices in the future as well. Thus, we will continue to need logistics companies. However, it would be desirable if it were possible to completely reorganize logistics on a post-fossil basis. Trucks should, at best, be the means of last recourse when distribution via rail is absolutely impossible.

What do you think about electric drive, also in freight traffic?

Post-fossil mobility in freight traffic also means thinking about electric drives. However, I believe that's science fiction. Nevertheless, we should not oppose technically advanced drive systems that cover the last mile, possibly also on an electrified basis. If we manage to achieve a new balance between the three elements already described, the local and regional supply will play a significant role. Only sufficiently short distances will make it meaningful to think about post-fossil mobility.

What could that be like?

The retail trade could distribute its goods via a system of freight bicycles, by all means with electric assist, too. They can be equipped with relatively large trailers. In Oldenburg students have opened a freight bicycle rental business. Ecocion, an organic food store that also operates a box scheme and which I work together with in a research project, is now using freight bicycles. Companies like UPS are experimenting with transport systems based on pedelecs. The biggest problems are caused by aircraft, ships and trucks. They are ecologically no longer acceptable, even after exploiting all optimization potential.

In logistics there are intensive efforts to use resources more efficiently and economically.

Isn't that a sensible approach?

That's always useful. But optimization in logistics to date, such as by means of lean management and just-in-time supply, always proceeded at the expense of the ecosphere. Logistics became more and more area- and traffic-intensive, extending to a shift in warehousing to trucks. If you look at the EU forecasts for freight traffic, the growth in CO₂ emissions cannot be kept within necessary limits by a realistic improvement in efficiency. Moreover, an efficiency strategy in a further growing economy is subject to so-called rebound effects. It is often not part of the solution, but part of the problem.

I have nothing against efficiency, but it can only take the pressure off the environment if the economy ceases to grow.

However, we are living in a society that has been shaped by the concept of growth for decades.

It is not possible for someone to simply flip the switch. How do you envision the transition?

At present politics is so disoriented that, driven by crises, it either just plugs holes on a short-term basis or resorts to expansion strategies. Modern politics is constantly based on beguiling the majority of voters with more and more gifts of freedom and wealth. A legal framework that lays out ecological limits for us would, however, correspond to exactly the opposite. The final solution that remains, therefore, is for the civil society to get ahead of politics. This requires projects, pioneers, real laboratories, avant-gardists, particularly in the entrepreneurial sector. The latter has to be emphasized because I'm not a Marxist, but an economist. Companies are necessary that irritate us with business segments on the basis of which we get by with less mobility and consumption. There is, for example, the company Brainshirt in Fulda. The founder, Matthias Heberle, has the objective of making the textile chain shorter so that fashionable, ecologically produced textiles can be manufactured in an extremely smaller radius. And the textiles are durable and repairable. In the food sector Regionalwert AG in Freiburg shows that it's possible to provide all necessary food in the regional area.

Sounds good, but also expensive.

That is exactly wrong. Though the selection shrinks and the price may be higher, if we use things double as long and jointly, and additionally gear our demands to the seasonal supply and the competencies and resources of the region, we save a lot of money in the end. If people automatically maintain, repair and share things with others in accordance with modern subsistence, that can raise the



quality of life and, in particular, social stability. This is not the Middle Ages or Stone Age, but merely another perception of freedom. Inspired and creative entrepreneurs can support this via prosumer management.

What do these pioneering companies do?

They not only sell products or services, they also sell the competence the consumers need to become prosumers. For instance, in the future I could buy a smartphone that has a modular structure. The price would include a prosumer workshop in which people would teach me how to ensure that this device can be used three times longer than is now the case on average by means of maintenance and repair or replacement of a module. Just as interesting are contributions to a sharing economy and the used goods trade, to the extent that this contributes to a reduction in mobility and consumption. Where nothing else is possible, this can also be done on a commercial basis. It's a great idea that the DIY chain Obi offers a tool rental service. In view of the many positive examples, I'm not so pessimistic about the question of who will save the world. Innumerable activists and prosumers are doing this, and also a creative entrepreneurship necessary for this purpose is also gradually coming into being.

KEY SPHERES OF ACTION AND MANAGEMENT APPROACHES

To achieve our goals for responsible protection of nature and resource consumption, BLG LOGISTICS concentrates on the key spheres of action Energy and Emissions. Assessment and reduction of greenhouse gas emissions and specific energy consumption are an integral element of our sustainability efforts.



www.blg-logistics.com/energy-policy

Sensitization and training of staff

Comprehensive energy management can only function if superiors prioritize the issue and the employees on site support the measures and are convinced of their meaningfulness. An important instrument for improving our energy efficiency is therefore training through which the employees are informed about the relevant aspects and sensitized regarding sustainable use of resources.

Focus on energy

After the new Energy Services Act (EDL-G) came into force in April 2015, BLG LOGISTICS immediately started to implement the new legal requirements. In our CONTRACT Division the energy management system (EnMS) was certified at 22 locations in accordance with DIN EN ISO 50001 in the year under review. The EnMS makes it possible to record consumption development in detail and detect anomalies and deviations quickly. In addition, analysis and listing according to the main consumer groups leads to revealing results. In the Industrial Logistics and Retail Logistics segments it is not shipments - as could be assumed for the logistics sector - that are predominantly responsible for consuming the majority of the energy, but the stationary facilities and consumers in the buildings (heating and lighting) as well as conveying equipment. These areas having major influence on energy consumption will increasingly become the focus of attention in connection with energy efficiency measures in future.

Our energy officers were trained externally with respect to the general requirements of ISO 50001 as well as regarding internal requirements at the regular Technology Meetings. They received further support via manuals specifically designed for this purpose. The topics of these manuals include systematic recording and evaluation of energy-related data, planning and implementation of measures as well as technical topics, such as heating / air conditional technology and lighting. A set of measures on energy efficiency and our "TechnikAtlas" - a platform for collecting examples of best practice and enabling an exchange of experience - are available on the Intranet.

The energy officers at the certified locations also perform the function of disseminators. They trained all employees at their locations on the energy management system during the year under report.

**CONSUMER GROUPS
BLG CONTRACT
2016**



- 51.4% heating and air conditioning equipment
- 14.5% lighting
- 14.4% miscellaneous
- 11.1% fuels
- 8.6% conveying equipment

Energy performance indicators

In the course of implementation of ISO 50001 specific performance variables were defined for the 22 locations and used to form energy performance indicators (EnPIs). Due to the heterogeneity of our locations in Contract Logistics with numerous different types of business, customers and processes, it is not possible to come up with a universally applicable variable for all locations. The performance variables range from packages, cleaned small load carriers and warehousing movements all the way to sales units and picks.

Recording of specific performance indicators for all of our locations has not been completed yet so that consolidation on that basis could not take place. For our energy efficiency / 03 /, the relative energy consumption in relation to sales, we achieved an improvement of 3.7 percent as compared to the previous year. This trend indicates the positive impacts of our implemented energy efficiency measures (see also Measures section on / page 22 /).

Energy controlling

Apart from certification in accordance with ISO 50001, in the reporting year we were able to successfully complete the energy audits for an additional 25 locations in accordance with DIN EN 16247 that were initiated in the previous year. In the AUTOMOBILE Division an in-depth review of the measures pointed out in the framework of this auditing and a follow-up are planned for 2017.

To further pursue the goal of comprehensive energy controlling, BLG plans to include the monthly energy consumption and energy costs as well as specific performance indicators in group controlling. Incorporation into integrated controlling (LucaNet) will take place from the beginning of 2017. That means nonfinancial indicators like energy performance indicators as well as the financial indicators already included will be taken into account.

Energy efficiency in procurement

In procurement we can directly influence our business activities with regard to energy efficiency and sustainable use of resources whereas in our logistic services we extensively work with specifications of customers. That is why procurement is a key aspect in the BLG LOGISTICS energy management system. Our suppliers are informed that energy efficiency, in addition to factors like price, delivery reliability and delivery time, is taken into account as another criterion in offer evaluation. We communicate that in supplier talks and generally through our General Terms of Contract and Purchasing. Since September 2016 we have been pointing out in a targeted manner that for BLG LOGISTICS energy efficiency represents a decisive criterion in procurement and ordering. This applies in particular to the procurement areas that have impacts on essential energy use, such as lighting, heating, commercial vehicles and forklifts. Efficient use of energy is assessed on the basis of documented criteria. At the same time, in 2016 we began with evaluation of our suppliers with respect to sustainability criteria as well / page 12 /.



[www.blg-logistics.com/
general-terms-of-contract-
and-purchase](http://www.blg-logistics.com/general-terms-of-contract-and-purchase)

Focus on emissions

Structured energy data capture also forms the basis for calculation of the greenhouse gas (GHG) emissions we cause. BLG LOGISTICS has been assessing energy consumption and generation of emissions centrally since 2011, and since 2015 in line with our balance limits forming the basis for energy management.

As a matter of principle, we provide information on CO₂ equivalents (CO₂e) that not only take into consideration carbon dioxide, but also other gases with a high greenhouse gas potential, such as methane and laughing gas. We record all CO₂e emissions for our energy consumption - Scope 1 and Scope 2 according to the Greenhouse Gas Protocol (GHG Protocol) - as well as their upstream chains.

EXPLANATION OF SCOPES ACCORDING TO GHG PROTOCOL

Scope 1 comprises all direct GHG emissions that result from a company's own business activities in the stricter sense. These are emissions generated directly at the company during combustion of primary energy sources, such as natural gas, heating oil, diesel and coal, as well as direct GHG emissions from the production process.

Scope 2 comprises the indirect GHG emissions resulting from generation of the procured energy. These are emissions from secondary energy sources, such as electricity, district heating, steam and cooling energy.

Scope 3 comprises all other indirect GHG emissions that result from upstream and downstream company activities, such as downstream transport, business trips and commuter travel.

For the calculation we also use well-to-wheels (WTW) emission factors. They contain all CO₂e emissions resulting from conveying, transport and processing activities all the way to combustion and use. The emission factor used for power applies Germany-wide and also includes the upstream chains. The CO₂e emission factors used for calculations for transport and for diesel vehicles are in line with DIN EN standard 16258, introduced in 2013.

Our absolute greenhouse gas emissions increased again slightly in 2016 / **05** /. The reason for the increase is the takeover of new locations in the year under review.

Greenhouse gas intensity

To be able to indicate the development of greenhouse gas emissions with regard to our business activities, we calculate the greenhouse gas inten-

sity / **04** /. At the moment it is not possible to include specific performance indicators for all locations in our balance or to carry out a subsequent consolidation. To enable reference to the base year 2011, we therefore calculate the relative CO₂e emissions on the basis of sales. By means of an increasing degree of detail in data acquisition, we regularly, and also retroactively, correct the consumption data / **01** / on which all calculations are based.

The relative development of GHG emissions of BLG LOGISTICS shows a reduction of 8.9 percent compared to our reference year 2011. Fig. / **06** / shows the development in the individual divisions over the last three years.

Measures

Besides detailed recording and evaluation of energy data and continuation of our energy management system, we have carried out a number of measures to increase our energy efficiency:

LED use enables energy and cost savings. In two existing parking garages we have completely replaced all light fixtures with LED lights. Moreover, there were other individual projects for equipping buildings at different locations with LED lighting. New sites like our Logistics Center in Düsseldorf were completely equipped with LED lights. Our company BLG Cargo now illuminates large outdoor areas with LED spotlights on high poles. The measure is supplemented by light measurements and studies of the perception aspects as part of LED/LEP project initiated by bremenports - funded by Metropolregion Nordwest. We bring our experience in the field of lighting to bear in the energy efficiency network of the northwest ports, which we use for the purpose of networking and an exchange of information.

We see **resource protection** as a meaningful contribution to environmental protection and improvement of our energy efficiency. At our Eisenach site we launched operation of one of the most modern container cleaning facilities in Europe in spring 2016. To clean the containers, we work with three

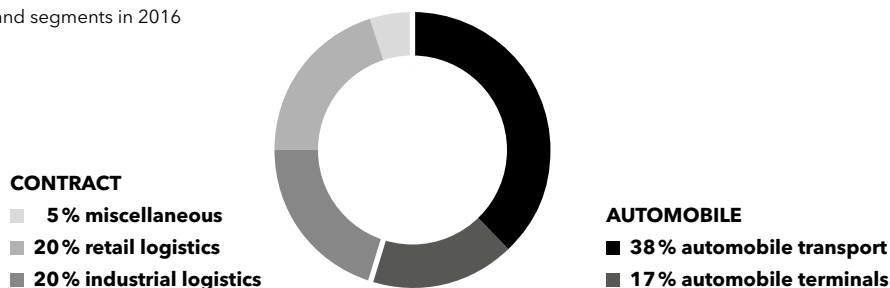
01 / ABSOLUTE ENERGY CONSUMPTION

broken down according to energy sources

Energy source	2016	2015	2014
Total energy consumption [kWh]	289,605,076	284,175,371	278,516,167
Power [kWh]	66,864,303	66,496,661	58,907,206
Natural gas [kWh]	66,375,134	62,112,670	58,403,305
Heating oil [l]	1,087,266	1,036,245	1,037,926
Diesel [l]	11,464,501	11,500,010	11,971,701
Gasoline [l]	333,571	273,828	260,225

02 / PERCENTAGE SHARE OF ENERGY CONSUMPTION IN 2016

broken down according to divisions and segments in 2016



03 / REDUCTION IN ENERGY INTENSITY

from 2015 to 2016 (kWh/€ sales)

-3.7%

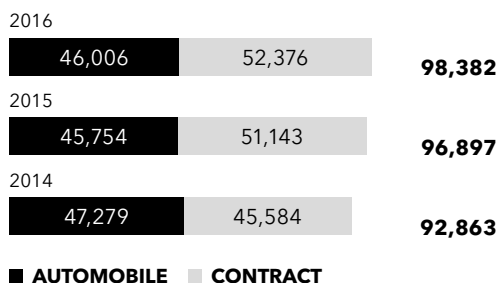
04 / REDUCTION IN GREENHOUSE GAS INTENSITY

from 2011 to 2016 (gCO₂e/€ sales)

-8.9%

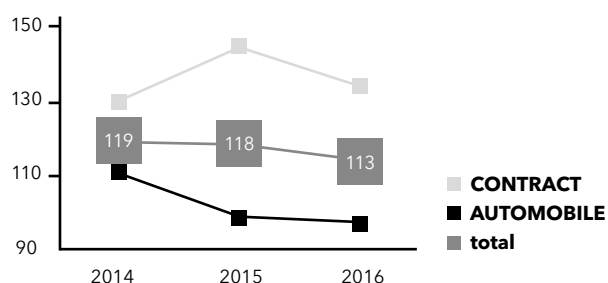
05 / ABSOLUTE GREENHOUSE GAS EMISSIONS

CO₂e (t)



06 / RELATIVE GREENHOUSE GAS EMISSIONS/INDEX

gCO₂e/€ sales



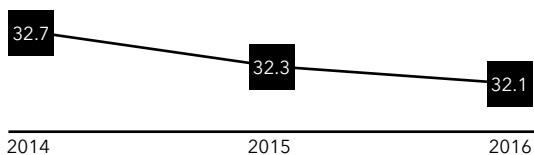
industrial washing facilities featuring an environmentally friendly design. They reuse the water several times and to some extent also recover it from steam. The high demand for process heat throughout the year makes it worthwhile to utilize a combined heat and power station at the location. Thanks to the energy-efficient cogeneration of heat and power, the resulting waste heat is utilized at the same time as power generation and fed into our processes. The planning contract was awarded in 2016 and building will take place in 2017.

Energy contracting at BLG Sports & Fashion has led to extensive energy-saving and modernization measures at our site in Hörsel. Large-scale replacement of lighting fixtures, modification of the ventilation systems and modernization of the automatic ironing facilities for textiles (tunnel finishers) were carried out jointly with Siemens Building Technologies AG. Beyond the originally planned extent of the project, other areas were equipped with LED, heating pumps were replaced by energy-saving pumps and additional directly driven fans were installed. Work on installing and setting the measuring devices and construction of a combined heat and power station were almost entirely completed at the end of 2016. Contracting will be activated and calculation of the actual savings will commence as of March 2017.

Electromobility remains an important issue for us in the future. We continue to use six electric cars as pool vehicles, two new vehicles for terminal operations in Bremerhaven have already been ordered. Three charging stations are in operation. The charging station in front of our Bremen headquarters is part of the public charging infrastructure. E-vehicle users can charge their batteries there free of charge with 100 percent ecological electricity. In mid-September BLG employees from project and process management at the Bremen Logistics Center had the opportunity of testing an electric terminal tractor unit made by the Dutch company Terberg. In comparison to the conventional diesel variant the e-truck was able to show off its advantages in several respects: lower operating and maintenance costs as well as significantly reduced emissions (CO₂, fine particulates, nitrogen oxides, noise). Regular operation of electric trucks is not economically reasonable yet, but remains on the agenda for industry. For 2017 we are planning test operation of a hybrid truck at our Leipzig site.

DIESEL CONSUMPTION OF OUR OWN AUTOMOBILE TRANSPORT FLEET

(average in liters per 100 km)



Modernization of the fleet is a measure for reducing the diesel consumption of our automobile transporters. At the end of 2016 BLG AutoTransport's fleet in Germany included 201 company-owned trucks. The fleet is to be completely changed over to the EURO 6 standard. In 2015 42 new vehicles complying with EURO 6 were purchased and in 2016 another 40. Replacement will continue in 2017.

Driver training is one of the continuous measures to reduce fuel consumption. Consumption and other driving data are recorded via the "Fleetboard" telematics system. Reports are prepared and grades given for driving style on the basis of this data. Aside from the mandatory modular training, including eco-training for the driver's license, we organize regular driver training by BLG instruc-

tors as well as targeted follow-up training in the event of a poor assessment. The training courses are also offered to subcontractors. Through modernization of the fleet and regular driver training it was possible to reduce the average diesel consumption in the automobile transport segment again in the reporting year. At 32.1 liters per 100 kilometers the figure is 0.6 percent below that of the previous year.

Certified environmental management

We also demonstrate our ecological responsibility with our environmental management system (UMS), which has been certified in accordance with DIN EN ISO 14001 at all German automobile terminals and transport bases of the AUTOMOBILE Division and five others operated by the CONTRACT Division.



[www.blg-logistics.com/
certificates](http://www.blg-logistics.com/certificates)

FUTURE ISSUES

ELECTRIC DRIVE FOR COMMERCIAL VEHICLES

One of our employees is examining concrete application options for electric trucks at BLG in her master's thesis. The latter looks at the competitiveness of battery-electric trucks using one example each for the retail, industrial and automobile logistics sectors. Furthermore, the conditional framework and requirements for future competitiveness will be pointed out. The study criteria include technical feasibility, energy consumption and greenhouse gas emissions as well as economic efficiency.

LITHIUM-ION BATTERIES IN A TEST

To reduce the energy consumption of our numerous industrial trucks, we are looking for alternatives to common lead batteries. In a multi-month test phase we are testing the use of lithium-ion batteries in multi-shift operation at our Bremen site in 2017. BLG is carrying out the test in practice with a modified high-lift truck jointly with Willenbrock.



SOCIAL

In our working world we appreciate and practice diversity.



CHALLENGES AND GOALS

Shaping change

For BLG LOGISTICS finding and keeping employees remains a key challenge for a successful future. The current age pyramid demonstrates that we will have an increasingly older population for a long time to come in spite of immigration. The consequences are prolongation of working life and a lower number of young employees. In the competition for young talent we have to present a distinctive image of the company as an attractive employer. Young people from other cultures have to be integrated into a labor market that is additionally becoming more and more complex and dynamic. It is important to practice diversity and equal opportunity in our company, regardless of gender, sexual identity, age, background, religion or philosophy of life.

Digitization in the working world

The current challenges for logistics are immense. Digitization not only changes products and services, but also the working world. In Industry 4.0 more and more work steps will be taken over by "intelligent" machines. Nevertheless, logistics

remains a sector shaped by people. We have to ensure, however, that our employees can co-shape the transformation and keep pace with the changes. That necessitates greater efforts in education and training. Today's job profiles will change considerably, in future there will no longer be a focusing on rigid training occupations. As a consequence, lifelong learning will play a key role. In practice this means tackling new demands every day, being prepared to accept altered processes and constantly acquiring new know-how.

Health at the workplace

The well-being and health of our employees are key factors for our joint success. We spend a large portion of our life at our place of work. The working conditions there may have a positive or negative impact on our health. Work stress has to be reduced and health competencies strengthened by means of targeted prevention and health promotion. At the same time it is important to examine more closely what causes lead to absence from work and how it can be reduced.

Social commitment

As one of the largest employers in the region, we have an obligation to address socially important issues and play an active role. That also applies to our other locations in Germany and abroad. We report on our social commitment in a separate section / page 39 /.

GOALS

- **Strengthening our profile as an attractive employer**
 - **High degree of employee satisfaction**
 - **Needs-oriented initial and further training for all qualification levels**
 - **Implementing equal opportunity**
-

UTILIZING DIVERSITY AS A PRODUCTIVE FORCE

INTERVIEW WITH DORIS HEITKAMP-KÖNIG, HEAD OF THE MERCEDES BENZ CUSTOMER CENTER AND DIVERSITY OFFICER AT THE BREMEN PLANT, AND **PROF. DR. JUTTA BERNINGHAUSEN**, PROFESSOR AND HEAD OF THE CENTER FOR INTERCULTURAL MANAGEMENT AND DIVERSITY (ZIM) AT THE BREMEN UNIVERSITY OF APPLIED SCIENCES.



You are the heads of the Bremen Diversity Initiative. What does diversity mean for you?

DORIS HEITKAMP-KÖNIG: For me diversity primarily means creating something together using the different perspectives, competencies and experience of people. It is a basic attitude that is absolutely challenging. We have to be able to grapple with our own sociocultural characteristics, reflect on our actions and shape tasks according to common rules in a constructive and solution-oriented manner. It is not always easy to deal with unfamiliar situations. However, I am deeply convinced that the

diversity of a workforce or society holds incredible opportunities. In our experience, for example, heterogeneous teams work more successfully than homogeneous groups.

Why does Daimler preoccupy itself with diversity?

DORIS HEITKAMP-KÖNIG: For Daimler diversity is a long-term process of change by means of which we strengthen and secure the competitiveness of our company. This means we are able to develop products and services through which we convince our customers worldwide.

Moreover, we live in a society that is becoming increasingly intercultural. This is also reflected in our workforce and holds great potential. People from 56 nations work at the Bremen site. Through professional diversity management we make positive use of this diversity in the interest of the workforce as well as of the work results. In addition, the Bremen plant is not isolated in the age of globalization, but operates in a worldwide production network. We have partner plants in China, South Africa and the USA, where we produce the C-Class. As the lead plant, we manage the entire production process across national borders and different cultures, from the tool strategy and training of the international colleagues all the way to product quality. That's a challenge we shape on an equal footing with our partner plants. And a constant learning process from which everyone involved profits.

compatibility of career and family and internationalization, which are underpinned with agreements and goals. It is also indispensable that our top management be committed to the issue. I notice that diversity management is increasingly becoming a matter of course among the workforce in our company.

How willing are companies in general to grapple with diversity?

JUTTA BERNINGHAUSEN: There is an interesting study of the Charter of Diversity in this context. The charter is an initiative stemming from industry with the aim of establishing diversity in the corporate culture and creating a work environment free of prejudice: this means respect regardless of gender, nationality, ethnic origin, religion or philosophy of life, disability, age, sexual orientation and identity. At its tenth anniversary last year the initiative surveyed 500 companies all over Germany on how they deal with diversity. Two thirds of them said that diversity management was a plus and created added value for the organization. At the same time, however, two thirds said that they had not developed any activities on diversity yet. This gap is symptomatic.

So mainly lip service and soap box oratory?

JUTTA BERNINGHAUSEN: The willingness to deal with the issue is growing. But there are still too few companies that actually include diversity in their management concept. There are numerous activities, there are gender equality officers and quotas for hiring more women or approaches for generation management, but without an overarching diversity strategy that combines these individual measures.

Why is it important to manage diversity and develop an overall strategy?

JUTTA BERNINGHAUSEN: There are always two sides to the question of why to pursue diversity management. One side is that teams are more creative and successful, the more diverse they are, provided this

»Companies are getting more complex. This complexity has to be managed.«



Diversity is therefore also of great significance for economic success?

DORIS HEITKAMP-KÖNIG: For us diversity management is a major part of our corporate strategy. To strengthen the significance of this issue in the public perception, Daimler AG co-initiated ten years ago the Charter of Diversity, which many companies have joined in the meantime. At the same time we have established our Global Diversity Office, a staff office in which the diversity activities of the corporation are pooled and further developed. Here we focus on such aspects as gender diversity,

diversity is managed well. That has been extensively demonstrated scientifically. On the other hand, it is simply a fact that companies are getting more diverse, and that also means more complex, so there is a growing challenge to manage this complexity. If a German company has branches in the US or China, that brings about economic opportunities as well as new problems, and there are enough examples in which vehement conflicts arise because, for instance, the German manager adopts the wrong tone, all the way to openly racist remarks.

DORIS HEITKAMP-KÖNIG: Here it is a matter of a basic attitude, the shaping of a corporate culture. If a management signs the Charter of Diversity and really stands behind it, this attitude is perceptible for the employees. These values must naturally not only be on paper, but have to be practiced as well.

Do you expect that from your service providers and suppliers, too?

DORIS HEITKAMP-KÖNIG: WIn the contracts with our suppliers we have a section on the issue of equal opportunity and ban on discrimination. In this way we ensure that our partners comply with the values in the Charter of Diversity that we stand for. Diversity with all its dimensions is, of course, also reflected in our customers, suppliers and investors. We all contribute to creating a respectful and appreciative working environment and in this way jointly shaping the future of Daimler.

Through ZIM, the Center for Intercultural Management / Diversity, the Bremen University of Applied Sciences already focuses on the education of future managers. Does the University of Applied Sciences also provide assistance to companies in developing diversity management?

JUTTA BERNINGHAUSEN: Our institute offers training courses and consulting for intercultural management and diversity management. For example, with the Bremen housing company Gewoba we have developed a model for diversity and the business associa-



»By means of diversity, we strengthen and secure the competitiveness of our company.«

tion Unternehmensverband Bremische Häfen (UBH), together with ZIM, plans activities in the framework of its three-year project for equal opportunity and staff development in the port sector and logistics. Another activity that arose from ZIM is the Bremen Diversity Award.

Together with Mercedes you recognize successful examples in practice through this award.

What do you want to achieve in this way?

JUTTA BERNINGHAUSEN: The award was conferred for the seventh time in 2016, Mercedes has been involved for five years now. Similar to the Charter of Diversity, it is a marketing instrument that conveys that diversity is an important issue for companies. The Diversity Award is aimed at encouraging companies to focus on the issue. When we conferred the award for the first time, no one could conceive of any use for diversity as a concept. That has changed in the meantime. Our diversity dinners have also contributed to this. Every year another company hosts this meal for invited guests, for decision-makers in business and politics.

DORIS HEITKAMP-KÖNIG: The dinner always takes place on the German Diversity Day. In 2016 we were guests at Werder Bremen. You simply notice that the issue has really hit home among the participants, who often have very responsible positions.

KEY SPHERES OF ACTION AND MANAGEMENT APPROACHES

Mutual respect, fair and attractive working conditions, occupational safety and health protection, initial and further training as well as diversity and equal opportunity are prerequisites for the high qualification and motivation of our employees - and thus the basis for the quality of our service. Using a wide variety of tools and programs for staff planning, training and development, we work on achieving our goals in the area of social sustainability.

Focus on fair and attractive working conditions

Fair pay

Fair and socially just pay is a key factor in making BLG LOGISTICS an attractive employer and boosting employee loyalty to the company. 98.7 percent of our employees are covered by a collective agreement, the target is one hundred percent. Wherever we have taken over new business, at the FORTRAGROUP, in Leipzig and at the new logistics center in Düsseldorf, we tackle the job of integrating these workforces into our company and hiring them in accordance with collective agreements as quickly as possible.

Practiced codetermination

We maintain a close cooperation between the works councils and the respective management teams. An intensive codetermination culture has developed at BLG LOGISTICS over decades. A lively exchange and opinion-forming, even on issues going beyond legal codetermination, have led to major impetus for the development of our

company. This practiced codetermination is of special importance whenever the focus is on workplace design, occupational safety and health as well as the compatibility of career and family.

Demography fund

The Central Association of German Seaport Operators created the requirements for actively shaping demographic change in the port operating companies through a collective demography agreement in April 2016. Collective use of the monetary resources provided through contributions to the fund is jointly regulated by the employer and employees. Measures for regulation of working hours, health promotion, continuing education and training as well as for compatibility of career and family oriented to the life phase. BLG LOGISTICS has concluded an identical collective demography agreement for the white-collar workers of its port operating companies.

Our employer brand

In 2015 we set ourselves the goal of positioning BLG LOGISTICS as an attractive employer brand and boosting our level of awareness as an employer via implementation of an overall strategy. The objective of this strategy is to enhance quantity and quality of the applications and at the same time employee loyalty and satisfaction. Many measures were successfully implemented in the reporting year. In job advertisements we now use a uniform language, application processes have been modernized and significantly shortened.

98.7

percent
of our employees
are covered by a
collective agreement

Focus on occupational safety and health protection

Long-term preservation and promotion of good health among our employees as well as their well-being at the workplace are key factors for joint success. We have developed a company health management system with an extensive range of activities, including targeted prevention, ergonomic workplace design, comprehensive occupational safety and reduction of work stress.

The contacts are the central company health promotion department, company physicians, the social counseling service and the respective representatives of persons with a disability. The Central Holding Safety and Environmental Protection Department supports health management in terms of occupational safety. The department is certified with the GQA (Gesellschaft für Qualität im Arbeitsschutz mbH) seal of quality. The seal affirms that the department meets all staff-related, professional, material and organizational requirements for providing a company with qualified and comprehensive advice in matters of occupational safety. The Holding staff members regularly conduct inspections of workplaces and organize training courses.

Health promotion and prevention

In 2016 we held several health days in order to inform and sensitize the employees regarding health risks. One focal point was prevention of heart attacks and strokes. The topics of the health-related further training courses included nutrition, exercise and dealing with stress. We have organized campaigns concerning a healthy life style and addictive disorders for our trainees.

To better deal with abnormal behavior in connection with the abuse of addictive substances, we have revised the relevant company agreement and trained all executives in identification of conspicuous behavior. We offer our employees comprehensive social counseling, which they can make use of in the case of work-related and private problems.

Health prevention is also the aim of our "Fit & Fun" program, through which we subsidize regular attendance of fitness studios. In 2016 1,246 employees took part in this program, 130 more than in the previous year. Running events in which a total of 300 employees took part were organized at various BLG LOGISTICS locations.

Company integration management (BEM)

Apart from the preventive activities, reduction of absenteeism represented a further focal point of our health management. In 2015 we already conducted an in-depth absenteeism analysis. On the basis of data and findings gained, company integration management was developed in the reporting year in close cooperation with representatives of the staff and of the works council. At many locations we conducted absenteeism talks or initiated company integration management procedures to support employees in returning to working life after longer periods of sickness (more than six weeks within the last twelve months). The talks are intended to clarify whether the workplace has impacts on the disease and what measures can be taken to overcome the inability to work and to reduce absence from work in future as well as to maintain a long-term capacity to work.

1,246

participants in
"Fit & Fun" program

100
percent of the
Great Place to Work®
measures have been
implemented

In 2016 the work incapacity rate / 02 / at BLG LOGISTICS rose by 0.6 percent compared to the previous year to 8.4 percent. The work incapacity rate with continued pay rose in the same period by 0.3 percent to 6.1 percent.

Occupational safety

In logistics physically strenuous work repeatedly occurs with one-sided stress in some cases. In the port and in warehouses work proceeds at a fast pace. Special safety precautions are necessary at the interfaces between people and machines. A regular analysis of the working conditions, staff instruction as well as appropriate medical advice help to make the work environment and workflows safe.

For four years now we have been using the "My Ticket" software in the company to record and systematically evaluate occupational accidents. In the course of 2016 the reportable accidents (absence from work of more than three days) across all BLG companies in Germany declined in comparison to the previous year. The accident rate / 03 / based on 1,000 full-time employees dropped from 49 to 39. This positive development is attributable to implementation of insights from the study of past cases of injury as well as many prevention measures. There were no cases of death during the year under review.

Focus on employee satisfaction

A respectful corporate culture is the basis for a high-performance company since we need satisfied and committed employees who feel attached to BLG. The key aspects of how we deal with one another include credibility, respect, fairness and

team spirit. Based on the analysis of our employee survey in 2014, we have worked up and carried out 561 measures. In the course of 2016 we were able to complete all of these measures. In 2017 we are preparing the next employee survey via "Great Place to Work®", which is to be conducted in 2018. One of the consequences of the last employee survey was improvement of our communication structures. In addition, in working groups with the workforce we have developed proposals that will be inputted in our feedback talks and manager training courses. We have also incorporated the request for transparent career paths and systematic promotion into our staff development tools.

Respect and target orientation

One of the measures for this purpose is our new potential and evaluation system. The relevant company agreement is in the final coordination phase with the works councils. The new procedure will be gradually introduced at all BLG LOGISTICS locations in Germany in 2017. In this way we want to further strengthen communication, respect and target orientation between employees and managers.

One of the indicators for employee satisfaction is fluctuation / 04 /. As already in the previous year, the rate of employees leaving the company of their own accord is at a very low level group-wide. In 2016 the figure was 2.5 percent and demonstrates, in spite of a slight rise of 0.66 percent, a continued high degree of employee satisfaction. The average seniority in the Group was 10.2 years in 2016. The data has changed only slightly in comparison to the previous year.

10.2
years of
average seniority

01 / EMPLOYEE STATISTICS

Germany: 7,262 employees of the fully consolidated companies reported (status as at Dec. 31, 2016)

GENDER



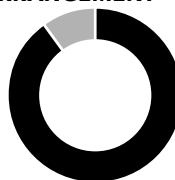
■ 79.3% male
■ 20.7% female

AGE



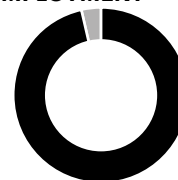
■ 53.3% 30-50 years old
■ 29.5% > 50 years old
■ 17.2% < 30 years old

EMPLOYMENT ARRANGEMENT



■ 90.1% permanent
■ 9.9% temporary

EXTENT OF EMPLOYMENT



■ 96.5% full-time
■ 3.5% part-time

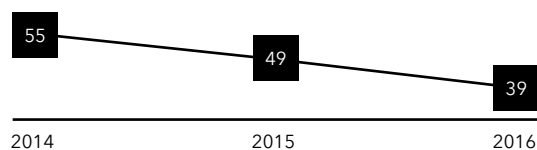
02 / WORK INCAPACITY

Proportion of entire workforce in %



03 / REPORTABLE OCCUPATIONAL ACCIDENTS

Number per 1,000 employees



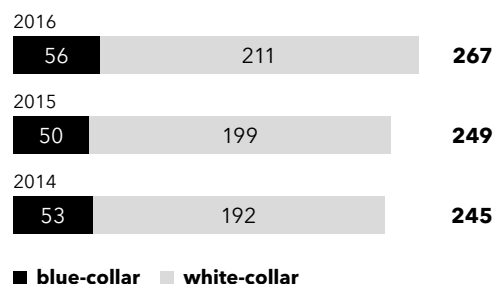
04 / FLUCTUATION

Employees leaving of their own accord in 2016

2.5%

05 / NUMBER OF TRAINEES

BLG (incl. GHBV)



Focus on initial and further training



www.blg-logistics.com/careers

To make sure we have sufficient specialists at our disposal for our diverse range of services in the future, we carry out training ourselves and make an effort keep the trainees in the company after completion of the training program. In a working world that is changing dynamically the occupational skills and qualifications once acquired no longer suffice for one's entire working life. That is why we invested more in staff development measures in 2016 than in any year before. In feedback talks we have identified activities matching the individual requirements and inclinations of the employees and the qualification demands of the company. Special focus was placed on strengthening leadership competence on all levels. In the following we present part of our extensive range of measures for staff development:

Manager development

BLG LOGISTICS pursues the motto of "Advancement and change before entry" and undertakes targeted identification and promotion of talent. Appropriate measures were further systematized and standardized in the reporting year. In 2016 a total 79 employees took part in programs for potential analysis (assessment center or appraisal). Appropriate training courses were agreed upon based on the results and the staff development plans of the participants from the previous years. All BLG employees who have a management function have been receiving a three-day basic training course since 2016. In this way we want to ensure that all superiors are familiar with and apply the key rules and requirements for the managers of our company. We deliberately train our executives on a central and cross-departmental basis with the aim of being able to fill open management positions flexibly.

Junior Management Program (JMP)

Through our Junior Management Program (JMP) we train executives for the special demands of our company in a targeted manner. The eighth year, composed of international participants for the first time, successfully completed the parallel seminar program in September 2016.

Further training

On the basis of the agreements in the potential development talks and the company's demands, we drew up a catalog of internal further training courses in 2016 that is continuously updated. It includes seminars and training programs that are frequently in demand at our company and can therefore be offered as internal courses. The catalog provides executives with an orientation in the search for suitable further training courses and leads to synergy effects thanks to the overview of our range of programs. In addition to the use of external trainers, we focus on know-how transfer through internal trainers. In 2016 the Staff Development Department conducted 101 seminars and courses with 1,066 participants.

Initial training

Training of future specialists is a key element of our personnel strategy. Every year we hire around 90 new trainees for ten different training occupations at the German locations: warehousing logistics specialist, office management staff, management staff for freight forwarding and logistics services, IT specialist for system integration or application development, construction mechanic, mechatronics specialist, automotive mechatronics technician, professional driver and automotive painter. Starting in 2017, we additionally offer training as industrial management assistant and warehousing specialist. In a dual study program participants can also obtain a bachelor's degree in logistics and process management.

10
different training
occupations

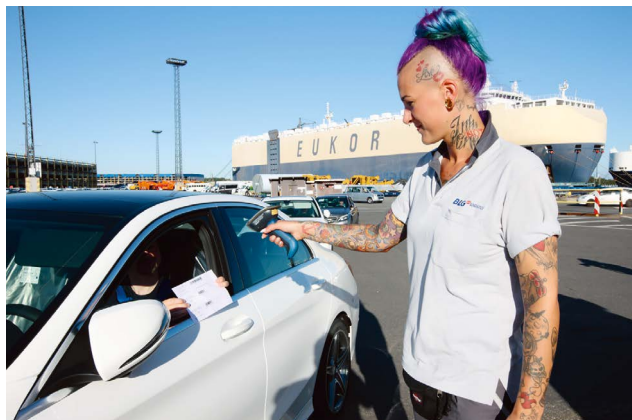
In 2016 the number of trainees / 05 / at BLG LOGISTICS reached a new high point with a total of 267 (previous year: 249). We had 18 traineeships more than in the previous year. As part of the company's guarantee to take on all trainees with appropriate personal aptitude, we made all suitable graduates an offer this year, too.

Training projects

We increasingly receive inquiries from schools regarding information on occupations in logistics. We also see that as an opportunity to make us known as an attractive employer. For this reason trainees of different occupations have formed a project group that calls itself "Future Designers". They go to schools and institutions for young people and present our training occupations there.

The MARWILO educational project, which was initiated by BLG LOGISTICS and port operating company bremenports ten years ago, meets with a good response. Since 2006 the Institute for Economic Education (IÖB) in Oldenburg has been designing classroom materials for economics lessons that offer the pupils exciting excursions to the port sector. In the Trainee helps Trainee project we foster cooperation among our trainees. High achievers help the weaker ones, such as in learning together after school.

In cooperation with ma-co (maritimes kompetenzzentrum) and Job AG Bremen we conducted two so-called Hanseatic logistics specialist courses for vocational integration of long-term unemployed persons and provided internships for this purpose in 2016. Altogether 26 participants have managed to enter working life and are now employed at our company via Job AG. Further courses in Bremen and extension to other locations are planned for 2017.



Focus on diversity / equal opportunity

At the company and in our social commitment we play an active role in terms of integration and equal opportunity. People from 65 nations work at BLG LOGISTICS, old and young, women and men with different cultural backgrounds and experience. We see this diversity as a challenge, but also as an opportunity for our development in a globalized world since our customers are also getting more and more diverse and international. However, diversity does not automatically lead to success, it has to be managed so the potential of diversity can unfold in a positive way.

Charter of Diversity

In 2016 BLG signed the Charter of Diversity in the framework of a project carried out by the business association Unternehmensverband Bremische Häfen (UBH). By virtue of the signature, BLG's operational companies BLG AutoTerminal Bremerhaven, BLG AutoTransport, BLG Cargo Logistics, BLG Handelslogistik, BLG Industrielogistik as well as the BLG LOGISTICS GROUP commit themselves to compliance with the guidelines of the Charter of Diversity. Jointly with UBH we develop measures and campaigns in this context. Among other things, BLG LOGISTICS will offer training courses on Diversity Management for the managerial levels in 2017.

267

trainees



www.charta-der-vielfalt.de/en

Growing proportion of women

One aspect of diversity is the proportion of women in the workforce, particularly in management positions. The logistics sector is still male-dominated. At our company, too, the proportion of women is growing only slowly, but continuously from 19.8 percent in the previous year to 20.7 percent in the entire workforce now. In the top three levels of management the proportion has risen from 16 percent (2014) to 18 percent (2015) and to 20.4 percent in the year under review. We are especially delighted that at the beginning of 2017 a woman on the Board of Management assumed responsibility for the AUTOMOBILE Division, namely Andrea Eck.

INTEGRATION INTO THE LABOR MARKET

Through the program "Training through work" with the Gesamthafen-Betriebsverein (GHBV) labor pool we are attempting to give those an opportunity who have not found a traineeship yet.

Our trainees themselves are also displaying initiative and are actively involved in diversity and integration, such as the cooperation with the refugee residential group "Use Akschen" in Bremen. There they support young refugees from Gambia, Guinea, Iran, Iraq and Afghanistan in their new situation in Bremen.

In the "Training - an opportunity for the future" project we enabled three young persons from Guinea and Gambia to take part in an entry-level training program for the occupations as warehousing logistics specialist and mechatronics specialist in 2016 so as to open up vocational prospects for them at BLG LOGISTICS. From the entry-level program two participants were able to change over to the regular training program for warehousing logistics specialists in the reporting year. Other young refugees have taken part in vocational internships.

Compatibility of career and family

An important instrument for winning over more women, and increasingly young fathers as well, for our company and keeping them as employees is the compatibility of career and family. That is why the company has subjected itself to audits by the berufundfamilie® foundation for years.

Re-auditing of BLG AutoTerminal Bremerhaven and BLG AutoTec as well as our Retail Logistics took place in the year under review. Our employees can continue to make use of the existing arrangements offered. The focus here is on individual, flexible working hour solutions to enable care for children as well as care for the elderly and sick. Particularly solutions for taking care of older members of the family are more and more in demand. After making individual arrangements in the past, we were able to develop a company agreement in 2016 that goes beyond the legal framework and enables reduction of working hours and/or leave for up to six months.

Re-certification of the audit is envisaged for BLG Holding in 2017. Since the holding company has been successfully certified since 2007, it receives a permanent certificate through renewed successful re-auditing.



Showing dedication

As one of the biggest employers in the region and a company with global operations, we pledge ourselves to our social commitment. It is part of our tradition and our self-image that we address important social issues and actively follow them. For this reason we have been committed to numerous projects and have been supporting international relief organizations in the region surrounding our sites for many years now. To establish transparency regarding our commitment, every form of sponsoring has to be approved by the highest decision-making body, the Board of Management. The numerous support projects are increasingly recorded on a central basis, at every location there are fixed contacts who plan, implement and follow up on our projects.

Active on site

Many projects come into being through initiatives by members of the local workforce, often in cooperation with our clients. For example, BLG Handelslogistik in Erfurt supported eight social projects of its client IKEA with a total of 25,000 euros. Our logistics center in Emmerich took part in the "On Wheels" campaign for children in Kalkar suffering from cancer by providing three tractor units. Children were able to ride in the truck and spent the rest of the day in an amusement park. BLG Industrielogistik sponsored a container for the local sports club "Eintracht Falkensee". BLG employees organized, painted, transported and

placed the container on the sports grounds. The club stores sports equipment in the container. Among those who use it are ten youth soccer teams who practice there / 01 /.

The need of refugees was also a reason for employees of BLG LOGISTICS to display social commitment. BLG Industrielogistik's Sindelfingen site supported personnel service provider Hoffmann in hiring 100 refugees, took part in the selection procedure and identified suitable candidates for employment via assignment of temporary staff. The 2015/2016 JMP participants organized a colorful spring festival for refugees as a final social program. Around 100 children and young people accepted the invitation and attended the festival with their parents on the school grounds in Bremen-Blumenthal / 02 /.

Aid for trouble areas

Seit 2013 unterstützen wir das UN World Food Programme (WFP) mit unserer Logistikexpertise und machen uns vor Ort in Katastrophengebieten ein Bild über Erreichbarkeit, Infrastruktur, Ausrüstung und Organisationsgrad der Seehäfen sowie der Umschlags- und Lagerkapazitäten. Wir analysieren für das WFP unentgeltlich die Logistikkapazitäten von Seehäfen in bedrohten Regionen - eine effiziente Verknüpfung von sozialer Verantwortung mit unserer Kernkompetenz Logistik. Zuletzt waren unsere Mitarbeiter im Auftrag des WFP in Haiti und in Honduras / 03 /.



ECONOMIC

Together with our customers we develop innovative processes.



CHALLENGES AND GOALS

Volatile markets and increasing protectionism

In 2016 Germany was once again export champion and, overall, has proven to be both politically and economically a stabilizing factor in a world characterized by a deep sense of uncertainty. The market environment for the logistics sector was influenced by two different tendencies: in the retail sector, particularly in online trade, the good economic situation in Germany and the positive development of purchasing power led to rising sales. However, the economic stagnation in China, enormous declines in Brazil, the Brexit and the growing trend towards protectionism had a curbing impact on some divisions.

In our AUTOMOBILE Division we feel the trend that is influencing international trade: production and sales markets are moving closer together. Our customers decide more frequently to manufacture their products closer to the sales market.

That changes the flows of goods and trade volumes. Export volumes for the markets in Asia are increasingly produced in Southeast Asia and shipped via the Mediterranean Sea. The German North Sea ports lose this cargo.

Innovative solutions wanted

Another challenge is Industry 4.0, which also brings about massive changes to jobs and processes in the logistics sector. This holds risks, but also opportunities for the companies that consciously tackle this challenge and develop innovative processes and business models. At the same time close cooperation between industry and science is gaining significance once again, such as for research projects at the interface between people and machines.

Fair competition

Our key goal is to achieve profitable growth in a difficult market environment, even under tighter competitive conditions. Intensification of competition holds the risk that market players will attempt to influence their position to their benefit via illicit agreements or corruption. For BLG LOGISTICS quality, efficiency and innovation orientation are essential elements for sustainable economic success. We want to retain market shares and customers, grow with existing contracts and further expand our new and more recent business segments.

GOALS

- Profitable growth combined with stringent cost management
 - Securing and increasing competitiveness: quality, efficiency and innovation orientation
 - Fair and open-minded dealings with customers and business partners
-

LEAN MANAGEMENT AS STANDARD FOR ALL PROCESSES

INTERVIEW WITH DR. ANNE SCHWEIZER BLG, HEAD OF IT PROCESS MANAGEMENT & PROCESS MANAGEMENT RETAIL LOGISTICS AND **DIPL.-ING. FRANK HÖFT** BLG, HEAD OF PROCESS MANAGEMENT INDUSTRIAL LOGISTICS



Lean Management is, at least in production, old hat. Why does BLG attach so much importance to this approach at this particular time?

ANNE SCHWEIZER: The focus of lean management is on avoidance of waste. As a logistics specialist, we have taken over many tasks for our customers and they also include the job of organizing the avoidance of waste outside of production and optimizing the use of resources. We apply lean management methods for this purpose. We want to save resources and costs, not least of all to remain competitive.

Production involves to a great extent making more efficient use of material and machines. Where is the focus in logistics?

FRANK HÖFT: We can also see ourselves as a factory. Although a finished car does not come out at the end, our structures are similar to those of a factory. What we produce are, for example, finished packages. Supply and processing flows are similar to those in a factory, only that nothing is milled, punched or molded.

»In the next step we want to use lean methods in administration, too. Avoidance of waste applies equally to everyone.«



We have been working with lean management methods for a long time, but in the past it was rather unsystematic. Two years ago we began to organize our processes systematically also with the conceptual world of lean management.

Did this approach come into being from within the company or as a customer demand addressed to BLG?

ANNE SCHWEIZER: We work together a lot with the automotive industry where lean management has been applied for a long time now. That is where the stimulus came from to extend this methodology to logistics processes. But the impetus also came from the company itself, from corporate management, so as to be able to perform more efficiently and on a more standardized basis. What it largely comes down to is to develop diverse standards for processes that can then be adopted for all locations.

Did you have to develop entirely new workflows for that purpose or did you have recourse to models and examples from practice?

FRANK HÖFT: We started to network with partners that already worked with lean management and to maintain a very open exchange of information. We looked at local practice and profited greatly from that. Parallel to that, we trained our staff.

That is an elaborate process. What does it result in for BLG?

FRANK HÖFT: You cannot assess the application of lean management directly in monetary terms. It's a

permanent process that helps us to become more effective overall and thus more attractive for our customers. "Every day a little bit better", if we really practice this philosophy, it will automatically lead to a continuous improvement process (CIP), to which we are committed internally and, to a certain extent, also in contractual terms vis-à-vis our customers.

ANNE SCHWEIZER: In the end that also leads to employees who make an effort of their own accord to continuously improve their own work environment and thus contribute to the security of their job. They identify with their work much more if they see that their own proposals and ideas are perceived and implemented because that's a key part of lean management. Through lean management as a tool we have additionally introduced new communication structures, such as shop floor management and CIP workshops, in which employees who do not perform a management function are also involved. In this way we address those directly involved in the processes, like order pickers and forklift operators, since they are in the best position to say where things are not running so well. If the employees see that something really happens or if you explain to them why no changes are made at this point after all - that also occurs - then they identify much more with the work. Particularly in the logistics world we need employees who stand behind their work and are extremely familiar with the processes and contribute to maintaining a high level of quality.

How great is the willingness among the staff? Isn't the first question asked: What do I actually get out of it?

FRANK HÖFT: It is primarily a matter of the superiors practicing what lean management signifies in the comprehensive sense. Among other things, it is a matter of a completely different error culture. According to lean management, errors are indicated openly so as to learn from them how to do it better. This also means that superiors learn how to look at things in a new way. An example: A packing

table in the building. Cell phones are prohibited there. During the inspection I saw that a colleague at the packing table had a cell phone next to her. Before I would have immediately instructed her to remove the cell phone. Now I ask: Why is that lying there? Her answer: I have to constantly add numbers here but don't have a calculator. If you give me a calculator, I don't need a cell phone. That was an inducement for us to consider in general at what workplaces that is necessary. To a certain extent there are little things you have to perceive in order to effect a large-scale rollout. As a result, employee satisfaction and also efficiency increase. The employees have a feel about whether something will come out of the nice words and slides. Many of our staff are fired up about the issue and immediately leap at implementation. They are basically our best disseminators because they infect others with their enthusiasm.

ANNE SCHWEIZER: It's all about sharpening one's awareness. It's about an attitude. In this context there is the very apt picture of a glass. We are familiar with it: the optimist says it's half full, the pessimist says it's half empty. Someone who thinks in categories of lean management asks himself: Why is the glass double as high as it has to be? This questioning attitude doesn't come about in three training courses, it has to grow slowly, through daily practice that becomes an inner attitude. This sharpening of one's awareness has to take place on all levels, in management and among the staff members.

How do you want to achieve that?

FRANK HÖFT: Once a year we have a management meeting for the top three management levels. There the focus is always on very central issues for the company. This year corporate management has given us this scope to make it clear that we really want to pursue lean management.

ANNE SCHWEIZER: Everyone has received Lean Basis training. None of the managers can say now that he or she has not been made aware of the

issue. In all of them something has stuck in their minds. There has been great interest since then. And now we have to deliver.

You already said success cannot be directly expressed in monetary terms. But are there any assessable results of this process yet?

FRANK HÖFT: That relates in particular to the areas that are also important for our customers, the KPIs for quality and performance. They can be expressed in measurable terms.



»It's all about sharpening one's awareness. It's about an attitude and about asking entirely new questions.«

ANNE SCHWEIZER: We have made that a target for us in the coming months. We also want to make soft factors measurable, for instance to demonstrate that it helps if people talk to each other. For next year we have the goal of combining lean management and optimization on a large scale in order to achieve a measurable increase in productivity.

What have you planned for 2017?

FRANK HÖFT: The next step involves using lean methods in administration, too. We are working on that. Avoidance of waste, including waste of time has to apply equally to everyone, i.e. from Operations to Administration.

KEY SPHERES OF ACTION AND MANAGEMENT APPROACHES

11.4
percent more sales
in 2016

The basis for the entrepreneurial activities of BLG LOGISTICS is a foresighted and risk-conscious financial policy. We are constantly in competition with other enterprises and must remain competitive. To secure a viable future for the BLG Group on a long-term basis, we focus on our core markets, which we strengthen and expand. A detailed description and calculation of the key figures relating to the Group financial statement for 2016 as well as the opportunity and risk management pursued by BLG LOGISTICS are provided in detail in our Financial Report. Here we restrict ourselves to furnishing an overview of the most important KPIs on the earnings situation / 01 / and use of the net value added / 02 / as an indicator of the "economic net value added" of our business activities.

Focus on economic performance

We want to make even better use of our assets by modernizing and refurbishing existing facilities, particularly in terms of efficiency. At the same time we are investing in new developments and expanding. We enter into strategic partnerships in attractive markets in order to strengthen our competitive position.

Business segments expanded

In a generally difficult environment we succeeded in asserting ourselves well in the market and expanding major segments in the reporting year.

We perform convincing freight forwarding services for our long-established clients. With a key account we have served for many years we signed a long-term contract for the first time in 2016 in which we defined common growth and sustainability goals. In June 2016 we took over the FORTRAGROUP, effective retroactively as of January 1, 2016. This transaction is a major milestone in our strategy of developing our own freight forwarding segment.

We have strengthened our presence in Eastern Germany by boosting business relations with a leading German automaker. Effective as of January 1, 2016, we took over part of the plant logistics for our client in Leipzig.

On April 1, 2016 we were able to officially commence work in the first completed section of the new logistics center in the port of Düsseldorf. The new building was awarded the DGNB (German Sustainable Building Council) Certificate in Gold. There we perform logistics services for a client in the automotive sector. Business involving further exports of unfinished and assembly parts at the Düsseldorf site will be expanded successively.

As an external service provider, we have been carrying out pre-assembly work, including order picking of the car parts required, on 2,300 square meters of the Daimler grounds in Sindelfingen since January 2016.

Growing with partners

We expect considerable growth in the cargo handling volume of our new joint venture at the Gioia Tauro location in Calabria. There the automobile shipping company has acquired a 50 percent share of our Auto Terminal in Gioia Tauro through its holding AUTOMAR. This company has not been included through full consolidation any more since July 1, 2016.

BLG Coldstore has established a joint venture with the Dutch Kloosbeheer Group, which took over 51 percent of our operation in Bremerhaven. The joint venture is called Kloosterboer BLG Coldstore GmbH. Through this cooperation we target joint positioning in the temperature-controlled logistics sector in northern Germany.

In spite of the current difficulties in the Russian market, we want to grow on a long-term basis there. BLG Logistics Automobile SPb (St. Petersburg) and LLC Fenix, owner and operator of the Russian port of Bronka, signed a long-term cooperation agreement concerning automobile handling via the port of Bronka at the end of November.

Investments in efficiency

The existing resources (funds, management capacity, etc.) of BLG LOGISTICS are limited and should be used effectively. The various investments compete for the limited resources. For the purpose of economic assessment an investment calculation model is provided that evaluates profitability on the basis of KPIs. The objective of our new investment guideline is to standardize the processes and procedures for approval of investments group-wide and make them transparent.

One example of an efficient investment is the use of new flatcars. These railway wagons, which were previously used solely for transporting small vans of an automobile client, can be converted with little effort such that they can also transport containers. Thanks to these flexible use options, capacity utilization has improved significantly.

Furthermore, we continuously invest in modernization of our truck fleet, which will be completely changed over in line with the Euro 6 standard. We even look after use of Euro 6 trucks by subcontractors that we work together with.

Focus on quality, efficiency and innovation

To secure and enhance our competitiveness, we attach great importance to quality, efficiency and innovation. Jointly with our customers and in cooperation with science, we develop innovative lighthouse projects for Logistics 4.0. Within the company we pool technical expertise and innovative know-how and create scope for creative ideas.

Tested quality

We offer our customers an extensive and diverse range of services of high quality. Our quality management is certified at all German and most foreign locations in accordance with ISO 9001. Internally the quality of our work is continuously tested.



www.blg-logistics.com/certificates

Efficient performance

Every day getting a little bit better, avoiding waste and constantly optimizing processes - this is increasingly becoming part of our daily routine. Two years ago we started systematically organizing our processes according to lean management criteria. In the year under review we have come a long way on this road. Lean management was a key topic at our annual Management Meeting for the top three management levels. All executives have received basic training. The managers responsible for quality and processes in Retail Logistics took part in intensive training. The Industrial Logistics segment has designated lean management officers in every branch management team. Overall, the systematic lean approach has led to a new error culture and improved communication structures (you will find further details in the interview / **page 43** /).

Optimization through simulation

For better planning and organization of the processes at our facilities we have developed our own in-house expertise in material flow simulation. For instance, it is possible to identify possible error sources and optimization options on the screen even in the planning phase or in the digital model of existing facilities. At our Krefeld site we worked with this method during the startup in 2013/2014. In 2016 we began to digitally evaluate the processes there with an eye to new requirements and examine them for further efficiency potential. We also initially analyze process changes in simulation models for our Auto Terminal in Bremerhaven. In this way we can implement improvements faster and avoid errors.



www.sasch-projekt.de

Innovative developments

Jointly with Bosch, Bremer Institut für Produktion und Logistik (BIBA), GS1 Germany and queo, BLG LOGISTICS asserted itself in a technology competition sponsored by the Federal Ministry of Economic Affairs and Energy through a digital lighthouse project for the automobile industry. The project SASCh - an acronym for "Digital Services for shaping agile Supply Chains" - is a contribution of BLG LOGISTICS to the high-tech strategy Industry 4.0. The focus of the project is on development of a cyber-physical system that digitally captures the quality data of car parts in the supply chain.

We have created scope for innovative ideas by setting up a creative laboratory (Digilab) and our initiative "100 Days Projects", which have already triggered initial impetus for BLG's further technological development. We pool know-how and initiatives in an innovation team that was formed in 2016 and works on a cross-company basis.



Excellent solutions

In 2016 we received the European Logistics Award of the European Logistics Association (ELA) for our robot-aided warehousing and order picking concept "Stargate meeting point - logistics at the interface of humans and robots". For the concept developed in Frankfurt jointly with our client engelbert strauss we already received two awards in 2015: the German Award for Supply Management from Bundesvereinigung Logistik (BVL) and the e-logistics award. We are confident that this mobile and highly flexible order picking system can be further developed and applied to other product segments.

01 / KEY FIGURES REGARDING EARNINGS SITUATION

Accounting according to equity method

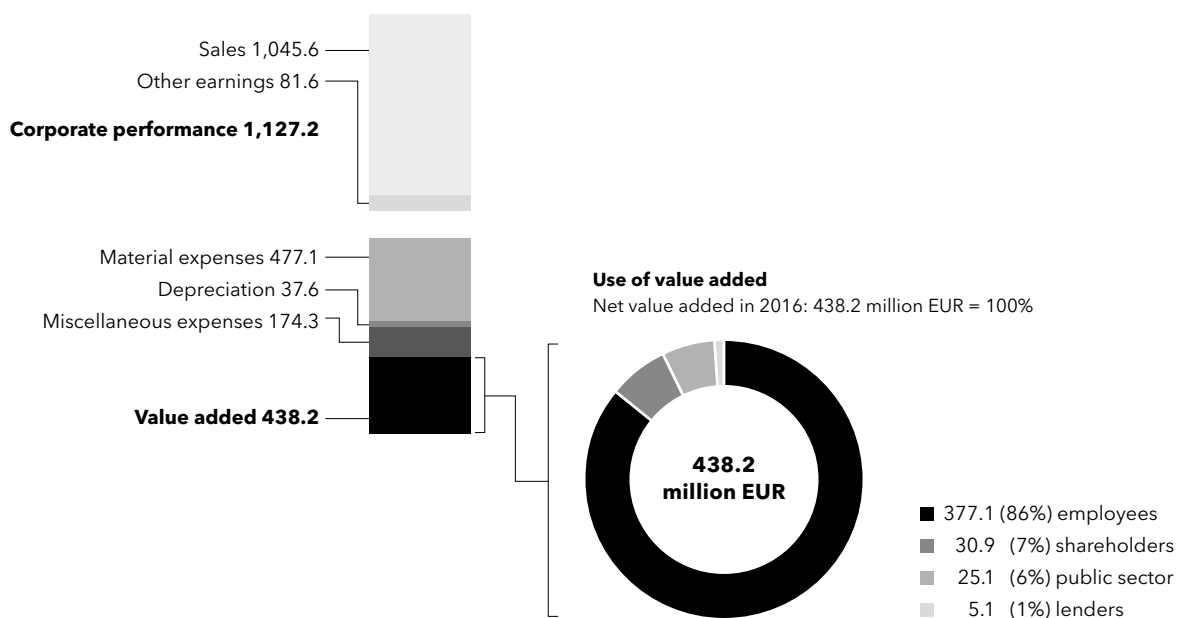
		2016	2015	2014	Changes from 2015 to 2016
Sales	million EUR	1,045.6	938.6	882.8	+11.4%
Return on sales ¹	%	3.7	3.8	4.2	-2.6%
Operating profit EBIT	million EUR	38.5	35.3	37.4	+9.1%
Earnings before taxes EBT	million EUR	30.8	29.7	30.1	+3.7%
Earnings per share	EUR	0.45	0.44	0.44	+2.3%
Employees/annual average ²	Number	10,046	8,738	8,027	+15.0%

¹ We refer to the Financial Report for the calculation of the key figures.

² Determination according to Section 267 (5) of the German Commercial Code (HGB), including CONTAINER Division employees.

02 / VALUE ADDED STATEMENT BLG GROUP 2016

in million EUR



The net value added is calculated from the corporate performance minus all expenses and depreciation.

The biggest share is accounted for by our employees with an amount of 377.1 million EUR and a proportion of 86%.

Focus on compliance

Price-fixing agreements and corruption have no place in our business processes. By complying with laws and regulations as well as our ethical principles, we remain a reliable and fair partner for our employees, clients, business partners and shareholders and can thus make a decisive contribution to securing our success on a sustained basis.

Systematically fair

We define how we deal with one another in a fair and respectful fashion in our compliance system that we set up in 2014 and have further developed since then. At the top is the CEO of BLG LOGISTICS as Chief Compliance Officer. A Compliance Officer appointed by the Board of Management has the job of working out and further developing our compliance strategy in coordination with the Board of Management. An externally designated ombudsman additionally gives the employees the opportunity of providing indications of compliance violations anonymously.

With the help of stipulated guidelines the employees can assess at all times whether their conduct is correct or violates compliance rules. These guidelines provide orientation and security in everyday work. The core elements of this set of rules are our Code of Conduct and our Anticorruption Guideline. Through the Code of Conduct we underline the global and local responsibility we assume for our actions. It serves as a concrete aid for our employees and is aimed at protecting them against wrong action in dealings between one another as well as with customers and at averting damage to the company.



www.blg-logistics.com/en/compliance



www.unglobalcompact.org

THIS IS HOW WE SECURE SUSTAINED SUCCESS

- _ Corruption is in no way tolerated.
- _ We eschew any kind of discrimination.
- _ Occupational safety and health protection have top priority for us.
- _ We use our resources responsibly.
- _ We take part in fair competition.
- _ We treat personal details of our employees and customers on a strictly confidential basis.

Our Anticorruption Guideline specifies in detail the basic principles of BLG LOGISTICS on bribery and acceptance of benefits already described in the Code of Conduct.

The issue of compliance is part of our risk management system. According to the latter, acceptance of benefits, embezzlement and fraud number among the possible risk factors that are continuously recorded by our risk management.

Compliance in the supply chain

Our General Terms of Contract and Purchasing also take into account the issue of compliance. We require from our suppliers and service providers that they observe the basic principles of the United Nation's Global Compact. That essentially relates to protection of international human rights, the right to collective bargaining, abolition of forced labor and child labor, elimination of discrimination in hiring and employment practices, responsibility for the environment and prevention of corruption.

Responsibility and communication

All members of the Board of Management, managing directors, executives, staff members, temporary workers and consultants are required to adhere to the BLG LOGISTICS Code of Conduct. Executives play a special role in this context. They are responsible for ensuring that all employees are familiar and comply with the code and the in-company guidelines in their sphere of responsibility. In 2015/2016 around 300 executives in the first to third management level and thus 98 percent of the relevant group of persons, including the majority of the foreign executives, received external training on the Code of Con-

duct. Other groups of persons like junior managers were trained internally by the Compliance Officer. All employees of BLG LOGISTICS have received the Code of Conduct by mail. The Code of Conduct and Anticorruption Guideline are additionally available on the Intranet, at the foreign sites in the respective local language.

No legally relevant violations of legal regulations were reported to the Compliance Officer at BLG during the year under review.

300

executives trained
in compliance

FUTURE TOPICS

LOGISTICS 4.0

Together with a key account and scientific partners we are currently examining the capabilities offered by intelligent load carriers in the SaSCH project / page 48 /. In future, too, BLG LOGISTICS will carry out ambitious development projects.

In mid-2016 the Federal Ministry of Transport and Digital Infrastructure launched a program to promote innovative port technologies, IHATEC for short, endowed with a budget of 64 million euros. IHATEC is designed to contribute to optimization of cargo handling, chains of logistics and the networking of production and logistics, introduction of product innovations and new port technologies as well as further development of IT systems. BLG LOGISTICS intends to use this program to initially push forward three key projects and has submitted corresponding applications for funding.

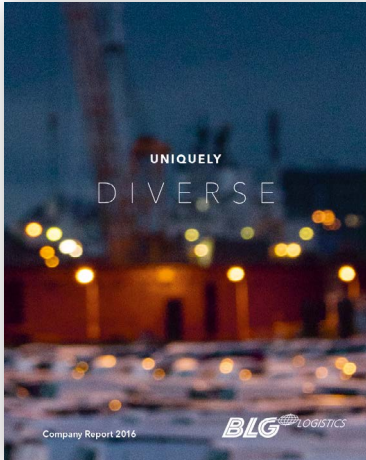
KEY PROJECTS

ISABELLA: The planning of berths, rail unloading ramps and storage space at the Auto Terminal could be supported in future by material flow simulation operating in the background. Furthermore, driving jobs would be generated dynamically and according to the situation and then transmitted directly to the drivers.

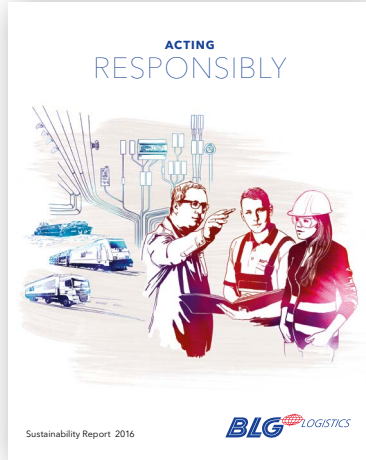
IRIS: People and machines could work together in unloading containers in such a way that the people input their intelligence and still superior cognitive capacity while the machines provide the necessary power and endurance.

KALI: BLG LOGISTICS wants to examine the ambitious issue of power-supporting systems and boost the development of exoskeletons. Physically demanding activities could be carried out largely fatigue-free by the staff in future.

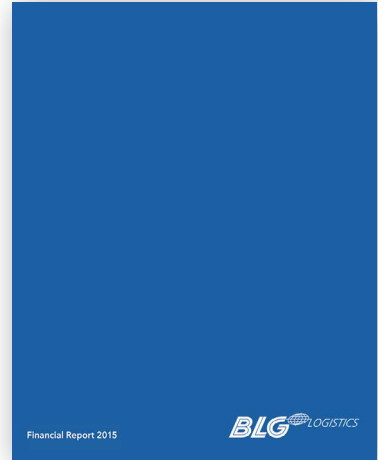
REPORTING IN 2016



/ Company Report /



/ Sustainability Report /



/ Financial Report /

Our contribution to environmentally compatible production:

All reports consist of 100 percent recycled paper that is certified with the EU Ecolabel. The printing shop employs a climate-neutral printing process.



CONTACT

PUBLISHING INFORMATION

**Central Sustainability and
New Technologies Department**

Yvonne Bonventre
Tel.: +49 421 398 2817
e-mail: green-logistics@blg.de

Publisher

BLG LOGISTICS GROUP AG & Co. KG
Präsident-Kennedy-Platz 1
28203 Bremen
Germany
www.blg-logistics.com

Editorial staff

Wolf Lampe (legally responsible for content)
Yvonne Bonventre
Sina Balzhäuser
Annemarie Struß-von Poellnitz

Data and facts

José Miguel Fernandez
Linda Rehnen
Jakob Stocker
Finanzbericht 2016
Personal- und Sozialbericht 2016

Interviews

Annemarie Struß-von Poellnitz

Picture credits

Hauke Dressler: page 5
Tristan Vankann: page 1, 17, 19, 29-31, 43-45
BLG LOGISTICS: page 37, 39

Illustrations

Irene Sackmann, Berlin

Concept and design

HGB Hamburger Geschäftsberichte
GmbH & Co. KG, Hamburg

Production

Zertani Die Druck GmbH, Bremen

Copyright: The articles and
pictures contained in the
report are protected by
copyright.
All rights reserved.

