

TCFD DISCLOSURE

Taskforce on Climate-related Financial Disclosures (TCFD)

UNCOMPLICATE YOUR WORLD »

SCAN GLOBAL
LOGISTICS

Scan Global Logistics TCFD disclosure

Executive summary

At SGL Group, we recognise the importance of addressing climate-related risks and opportunities to ensure our business is resilient and sustainable for the future. In 2021, SGL Group implemented the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

To test the resilience of our strategy, we developed three distinct climate scenarios that were based on those provided by the Network for Greening the Financial System, supplemented by insights from the European Central Bank's 2021 stress test, trade and transport industry research and the Shared Socioeconomic Pathways (SSPs).

Our process included workshops with leaders across the company to identify climate-related risks and opportunities, as well as a top-down analysis and an outside-in analysis of risks and opportunities across the transport sector. Financial materiality was considered with the Group CFO, and the findings from the scenario analysis were used to adjust SGL Group's strategy to improve its resilience. The climate-related risks that were identified through the scenario analysis exercise have been incorporated into SGL Group's annual Enterprise Risk Management (ERM) process as well as into the ERM system.

The process determined that, due to SGL Group's asset-light business model and strategy, none of the identified risks were assessed as having a material financial impact in the short, medium or long term. In particular, SGL Group is not exposed to rising emissions costs through carbon taxes as its revenue model merely adds a service fee to the cost of shipping. Nor will SGL Group, as an asset-light freight forwarder, face the rising investment costs and risks that carriers will bear to decarbonise their vessels, aircraft and vehicles.

While there is a risk that SGL Group may not be able to match the speed at which customers shift their purchasing towards lower emission transport solutions, we are mitigating this, and the risk of customers switching from air freight to ocean freight, largely through our Low Carbon Logistics services that we launched in 2021.

The TCFD process confirmed that SGL Group has three climate-related revenue opportunities that we are seeking to capture. These are helping customers to manage increased complexity from carbon taxes and emissions reporting requirements, meeting demand for decarbonised logistics services, and supporting UN agencies and other partners in responding to the humanitarian consequences of climate change.

SGL Group has a number of strategic initiatives to mitigate the climate-related risks and capture the climate-related opportunities that were identified. These are briefly described in this disclosure and in further detail in SGL Group's 2021 Sustainability Report, which is available at:

<https://www.scangl.com/investor/sustainability-report/>

GOVERNANCE	Disclose the organization’s governance around climate- related risks and opportunities.
a) Describe the board’s oversight of climate-related risks and opportunities.	The Audit Committee has oversight for climate-related risks and opportunities through its assessment of SGL Group’s enterprise risks, which include climate related risks and opportunities. The Audit Committee meets quarterly to review SGL Group’s enterprise risks. The Board of Directors approves SGL Group’s annual report and annual sustainability report.
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	<p>The Group CFO has overall management responsibility for the assessment and management of SGL Group’s climate-related risks and opportunities. The Group CFO chairs the Sustainability Board which steers SGL Group’s overall ESG agenda, including identifying ESG opportunities and sharing best practices.</p> <p>SGL Group’s sustainability work is led by the Global Head of ESG and Quality, who reports to the Group CFO. Day-to-day sustainability topics are managed by the Group Sustainability team together with Human Resources, Legal, and Finance functions.</p>
STRATEGY	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<p>In 2021, SGL Group undertook an assessment of the transition and physical climate-related risks and opportunities that it faces until 2050. The assessment used three climate scenarios (described in further detail below) and defined short, medium and long-term as 2025, 2030 and 2050 respectively. The following climate-related risks and opportunities were identified.</p> <p>1. CLIMATE-RELATED RISKS</p> <p><u>Policy & Legal</u> Increase in carbon taxes (short-term) Carbon taxes will increase, and carriers will likely pass these costs on to customers.</p> <p><u>Technology</u> Cost of transitioning to lower emissions technology (short-term) Carriers will face increased costs to decarbonise their assets.</p> <p><u>Market</u> Change in customer preferences (short-term) Risk that SGL Group does not match the speed at which customers shift their purchasing towards lower emission transport solutions.</p> <p>Switch from Air to lower emissions modes (short to medium-term)</p>

	<p>With new aircraft technology not expected to be available until 2030, customers may switch from Air to Ocean and other modes to reduce their transport emissions.</p> <p><u>Reputation</u> Stigmatization of the transport industry (long-term) As a hard to abate sector, there is a risk of stigmatization of the transport sector.</p> <p><u>Physical risk</u> Increased insurance costs (long-term) The physical impacts of climate change may lead to higher insurance costs for SGL Group’s warehouses and other owned properties.</p> <p>2. CLIMATE-RELATED OPPORTUNITIES</p> <p>Increased complexity (short to medium-term) Forthcoming carbon taxes and climate regulations will increase the complexity of supply chains and the administrative burden for customers.</p> <p>Demand for decarbonised transport services (short-term) Customers are increasingly seeking to decarbonise their supply chains to meet emissions reduction targets.</p> <p>Humanitarian aid and relief (medium to long-term) The humanitarian consequences of climate change are expected to increase the need for aid and relief operations.</p>
<p>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p>	<p>Sustainability is a strategic growth enabler for SGL Group and our sustainability strategy is fully integrated into our company strategy. Due to SGL Group’s asset-light business model and decarbonisation strategy, none of the climate-related risks that were identified have any material financial impact on SGL Group over the short, medium or long term:</p> <ul style="list-style-type: none"> • SGL Group’s revenue model is not exposed to carbon taxes as it merely adds a fee for services to the cost of shipping. • SGL Group’s asset-light business model removes the risk of having to decarbonise asset performance. • Our decarbonisation strategy (see below) mitigates the risk of changing customer preferences and the potential stigmatization of the transport industry • SGL Group’s asset-light business model means that any increase in insurance costs will not be financially material. <p>SGL Group’s strategic initiatives to capture the climate related opportunities that were identified, and to address certain climate-related risks, include:</p> <p>1. Becoming a leader in decarbonisation by:</p>

	<ul style="list-style-type: none"> • Developing Low Carbon Logistics services based on our flexibility to select carriers that are frontrunners in decarbonising their assets • Partnering with other suppliers in the value chain, such as producers of Sustainable Aviation Fuel • Joining industry groups focussed on net-zero supply chains, such as the 1.5°C Supply Chain Leaders • Submitting a 10-year emissions reduction target for validation by the Science Based Targets initiative (SBTi) that is aligned to 1.5°C and committing to net-zero by 2050 across scopes 1, 2 & 3. <p>2. Addressing the complexity of carbon taxes and climate regulations for our customers through SGL Group’s value proposition to un-complicate our customers’ world</p> <p>3. Enhancing our aid and relief capabilities to support the UN agencies, NGOs, governments and other stakeholders that we partner with to address the rising demand for humanitarian aid and relief as a result of climate change.</p>
<p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>In 2021, SGL undertook a qualitative scenario analysis using three scenarios developed by the Network for Greening Financial Services:</p> <ul style="list-style-type: none"> • Net Zero 2050: 1.5°C (orderly transition) • Delayed transition: 2°C degrees (disorderly transition) • Hot house world (current policies): 3°C <p>These scenarios were supplemented with carbon tax assumptions from the European Central Bank’s economy-wide climate stress test published in September 2021 (all figures \$ t/CO2):</p> <ul style="list-style-type: none"> • Net Zero 2050: 2030: \$185 → 2040: \$350 → 2050: \$675 • Delayed transition: 2030: \$70 → 2040: \$325 → 2050: \$625 • Hot house world (current policies): Low carbon taxes <p>The scenarios also included insights from trade and transport industry research and data from the Shared Socioeconomic Pathways (SSPs).</p> <p>Our process included workshops with leaders across the company to identify climate-related risks and opportunities, as well as a top-down and outside-in analysis of risks and opportunities across the transport sector. Financial materiality was considered with the Group CFO, and the findings from the scenario analysis were used to adjust SGL Group’s strategy to improve its resilience.</p>
<p>RISK MANAGEMENT</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>
<p>a) Describe the organization’s processes for identifying and</p>	<p>Climate-related risks were identified through the scenario analysis exercise outline above and have been incorporated into SGL Group’s annual Enterprise Risk Management (ERM) process as well as into the ERM system. The ERM Committee which oversees the ERM process and performs the scoping and development of overall risk strategies reports to the Audit Committee of the Board of Directors.</p>

<p>assessing climate-related risks</p>	<p>On a day-to-day basis, SGL Group manages policy and legal risk by monitoring regulatory developments in the markets that it operates, and in particular with regards to the European Union’s Green Deal and sustainable finance strategy and its implications for the transport sector.</p>
<p>b) Describe the organization’s processes for managing climate-related risks.</p>	<p>Similarly, market risks are managed through regular contact with customers and suppliers, and through partnerships that SGL Group is a member of, such as the Exponential Roadmap Initiative and the subgroup 1.5°C Supply Chain Leaders. Group Sustainability has responsibility for SGL Group’s decarbonisation strategy and works with other functions to implement it.</p>
<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	
<p>METRICS AND TARGETS</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>SGL Group discloses its metrics and Scope 1, 2 and 3 greenhouse gas (GHG) emissions in its 2021 Sustainability Report which is available at: https://www.scangl.com/investor/sustainability-report/</p>
<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	

<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>SGL Group's climate targets are anchored in science. We were the first freight forwarder in Denmark to commit to the 1.5°C target in 2020 and remain one of only 42 companies within the global transport and logistics sector globally to have committed to a science-based target.</p> <p>In 2021, SGLT Holding submitted a ten-year emissions reduction target for validation by the SBTi in line with a global temperature increase of 1.5°C before 2050:</p> <ul style="list-style-type: none"> • We commit to reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 base year • We commit to reduce Scope 3 GHG emissions by 51.6% per gram CO_{2e} / tonne-kilometre by 2030 from a 2020 base year <p>We expect the target to be validated by the SBTi by the end of 2022.</p> <p>Through the Exponential Roadmap Initiative and the subgroup 1.5°C Supply Chain Leaders, we also commit to reduce GHG emissions across all scopes 1, 2 and 3 by 50% every 10 years and reach net-zero emissions by 2050.</p>
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