

# Sustainability

RESPONSIBILITY CLIMATE PROTECTION TRANSPARENCY  
Stakeholder Risk Management CONSERVING NATURAL RESOURCES  
Health & Safety Equal Opportunity  
Corporate Citizenship



Marquard & Bahls AG

Report 2012



MARQUARD & BAHL S

The goal of sustainable development is to act in an economically sound way while conserving resources, maintaining the social equilibrium, and protecting our environment. As a family-owned business, this principle is of special importance to us and guides our decisions. Meeting our customers' needs today without compromising the quality of life of future generations is the course we will continue to pursue in the future.

Hellmuth Weisser, Chairman of the Supervisory Board, Marquard & Bahls





## Who we are

Marquard & Bahls has been successfully involved in the international oil and energy business for over 65 years. As a privately owned stock corporation we are free to pursue our goal of controlled, long-term growth – independent from daily fluctuations and short-lived management trends.

## What we do

Our key lines of business include oil trading, tank storage, aviation fuelling and renewable energies. We are also involved in gas supply and quality management.

## How we operate

Environmental protection takes on a special significance when handling petroleum products and chemicals; we are well aware of this. We are dedicated to the wellbeing of our employees, the environment and the surrounding communities in all areas of our operations.

## Our philosophy

"Independent, sound, individual" is the Marquard & Bahls philosophy. Our independence to act and freedom to make decisions are cornerstones of our success. Integrity, straightforwardness and strict risk management make us a solid, reliable partner around the world. Our thinking is both entrepreneurial and individual.

**independent, sound, individual**



## Contents



<b>Foreword by the Executive Board</b> .....	<b>5</b>
<b>Marquard &amp; Bahls: A Portrait</b> .....	<b>7</b>
Subsidiaries .....	8
Locations .....	14
<b>Sustainable Management</b> .....	<b>16</b>
Strategy and Analysis .....	16
Management Approach .....	18
Inclusion of Stakeholders .....	23
About this Report .....	25
Relevant Issues .....	26
<b>Sustainability Performance</b> .....	<b>28</b>
<b>Corporate Governance</b> .....	<b>30</b>
Legal Compliance .....	32
Fair Competition .....	33
Fair Remuneration .....	33
Anti-Corruption .....	34
Transparency .....	35
<b>Economic Responsibility</b> .....	<b>36</b>
Financial Performance .....	38
Risk Management .....	40
Synergies .....	41
Supplier Relations .....	41
Customer Satisfaction .....	41
<b>Ecological Responsibility</b> .....	<b>42</b>
Spill Prevention .....	44
Energy Saving & Climate Protection .....	45
Conserving Natural Resources .....	59
Waste Management .....	61
Biodiversity .....	63
<b>Social Responsibility</b> .....	<b>64</b>
Health & Safety .....	69
Education & Training .....	72
Labor Standards .....	73
Equal Opportunity .....	75
Work-Life Balance .....	77
<b>Corporate Citizenship</b> .....	<b>78</b>
Environment .....	81
Education .....	82
Health & Humanitarian Projects .....	83
Culture & Sports .....	84
Research .....	85
<b>Sustainability Goals</b> .....	<b>86</b>
<b>Appendices</b> .....	<b>90</b>
Abbreviations .....	90
Companies Covered by this Report .....	92
GRI Index .....	94
References .....	98

## Sustainability is Essential



The guiding principle of sustainable development was anchored at the United Nations Conference on Environment and Development in Rio de Janeiro more than 20 years ago. In Germany, sustainability has been a buzzword for some time now. For instance, in recent years a switch to renewable energy was initiated with a lot of commitment both from policymakers and the private sector, and has been further accelerated following the momentous nuclear accident in Fukushima. Nevertheless, challenges such as climate change and energy security are more acute than ever before. Companies play an important role in reducing carbon dioxide emissions and the efficient use of resources – the task at hand is to harmonize economic activity with social and environmental responsibility.

What sources of energy will we use in the future? Renewable energy will not be able to meet the growing energy needs of the world's population in the foreseeable future, so fossil fuels will continue to be a key source of energy. We are convinced that we will need to combine fossil fuels and renewables in the decades ahead. Therefore, we will continue to be involved in fossil fuels (oil, gas, carbon) as well as in the renewable energy sector.



Based on this combined approach, we successfully continued our expansion in 2012. Highlights include the acquisition of the United Bulk Terminal in Davant, U.S. (a dry bulk terminal for coal and petroleum coke); the acquisition of a biogas plant in Bardowick, Germany; and the construction and operation of a new biogas plant in Namakkal, India, both of which recycle organic waste material only.

We reconfirm our commitment to acting as a fair employer and a responsible corporate citizen. As part of the responsibility that comes with this, we see it as a matter of course to consider health, safety, and environmental aspects as well as security in our business activities. In addition, we will continue to invest in our employees' development, in optimizing our processes, and in the technical development of our sites in order to continue our sustainable growth.

This report shows what sustainability means for Marquard & Bahls, what measures we took last year in tackling the economic, environmental and social challenges we faced, and what we have achieved in the process. For the coming year too, we have set ambitious goals to further integrate sustainability at all levels of our activities.

We wish you an enjoyable read!

Hamburg, August 2013

Carlin Conner  
Executive Board Member –  
Terminals

Christian Flach  
Chief Executive Officer

Dr. Claus-Georg Nette  
Chief Financial Officer

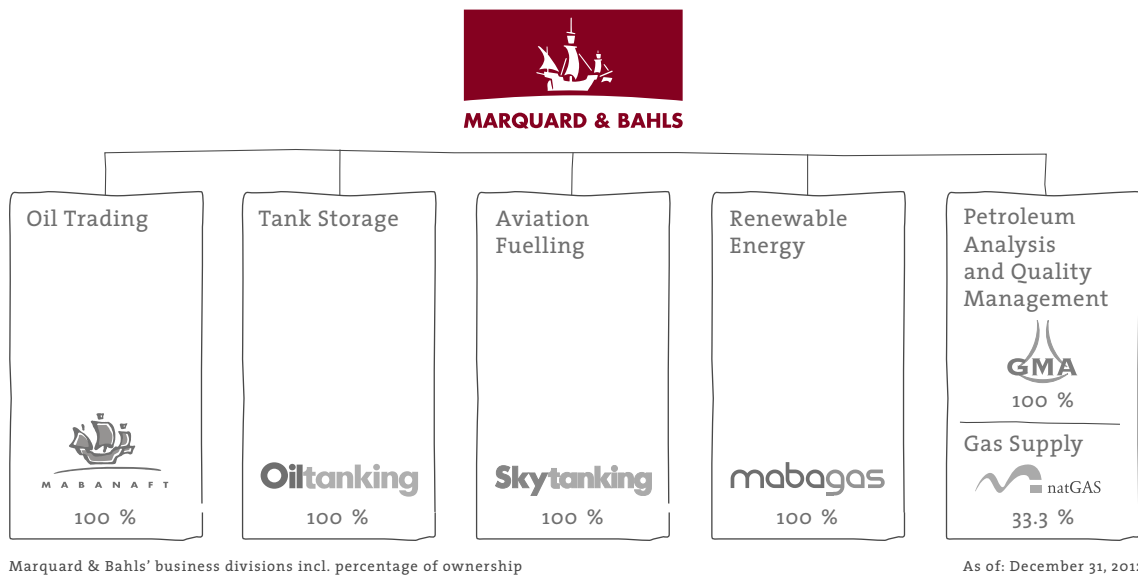
Julio Tellechea  
Executive Board Member –  
Trading



## Marquard & Bahls: A Portrait

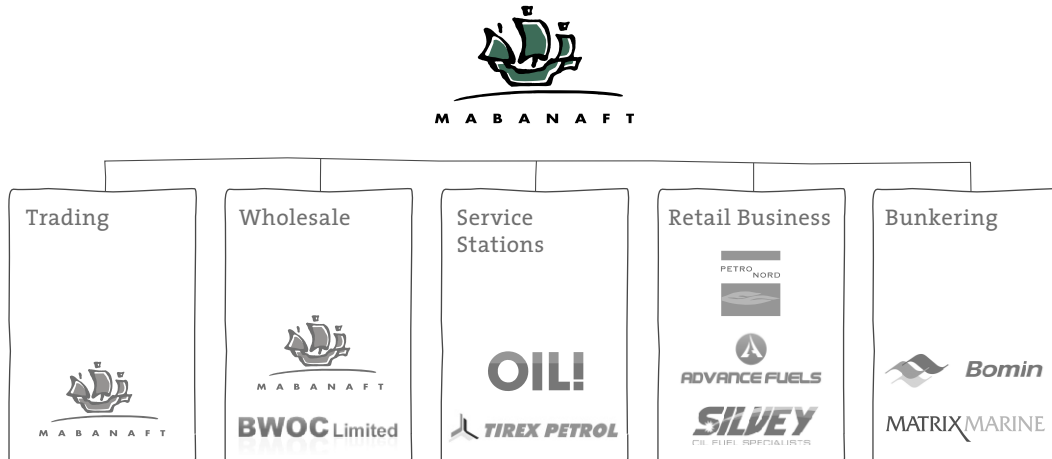
We derive our strength from the entire range of our business segments, which make Marquard & Bahls what it has been for over 65 years – an independent, sound and individual company in the international oil and energy business.

Headquartered in Hamburg, Marquard & Bahls does business in 41 countries worldwide with its subsidiaries. In this report, they are summarized in the following seven regions: Germany, Europe (excluding Germany), North America, Latin America, Middle East & Africa, India, and Asia Pacific. In 2012, Marquard & Bahls employed an average of 8,560 employees, 4,600 of them in fully consolidated companies. Our company generated consolidated revenues of 18.3 billion euros (including energy tax) and a consolidated profit after tax of 106.4 million euros last year.





## » Subsidiaries



As of: December 31, 2012

### Trading » Mabanaft

Mabanaft is the trading division of Marquard & Bahls. Its core business has always been physical oil trading in northwest Europe, including both import and wholesale. In addition, the company is involved in service stations, retail of heating oil for end consumers, lubricants, liquid and solid biofuels, carbon trading, and bunkering. Sales volumes were close to 22 million tons as in the previous year. Its average headcount during the year was 2,064 employees (1,890 in 2011).

#### » Regional Trading

The focus of Mabanaft's trading strategy is physical oil trading. In Singapore, Mabanaft concentrates on regional physical trading in Asia. In Rotterdam, Mabanaft has traded CO<sub>2</sub> emission rights in recent years.

#### » Wholesale

In northwest Europe, Mabanaft is a leading independent importer and wholesaler of petroleum products. The company has established itself as a reliable partner in Germany, Austria, and the U.K., and is also active in Hungary and Moldova. Mabanaft Deutschland supplies its customers with heating oil, diesel, gasoline, jet fuel, liquefied petroleum gas, as well as biofuel and biomass fuels such as wood pellets. The British subsidiary B.W.O.C. also operates a wholesale business.



### › Service Stations

Mabanaft operates a growing retail network through its subsidiaries, which currently encompasses 540 service stations. OIL! Tankstellen operates more than 250 filling stations in Germany, Austria and Switzerland. The Petronord network comprises about 190 self-service filling stations for commercial truck fleets throughout Germany (60 more than in 2011). Tirex Petrol in Moldova has a network of nearly 100 service stations.

### › End-Consumer Business

Consumer business activities have been steadily expanded in recent years under the Petronord umbrella. With 24 companies in Germany and Austria, Petronord is a major player in heating oil and diesel trading, lubricants, self-service filling stations for commercial truck fleets, and bitumen trading. In the U.K., the end-consumer business is operated by Advance Fuels and Thomas Silvey.

### › Bunkering

Mabanaft has been successfully involved in the bunker business for about 15 years via Matrix Marine. In 2012, this line of business was greatly expanded through the acquisition of the Bominflot group, and both companies were merged to become the Bomin group under the Mabanaft umbrella. Bomin is one of the world's leading independent bunkering companies, with more than 35 years of market experience. Its business activities range from trading fuel and lubricants to other services in the shipping industry. The company operates at 34 locations around the globe.

One example for the innovative ongoing development of Bomin group's bunkering business is Bomin Linde LNG, a 50/50 joint venture between Bomin and the technology company Linde AG founded at the end of 2012. The aim of the new joint enterprise is to build a reliable liquefied natural gas (LNG) marine bunkering infrastructure in northwest Europe. Ship owners and operators are to be supplied with environmentally friendly fuel in an efficient and safe manner, thereby helping to meet the increasingly stringent limits on emissions from ships. Here, Linde's extensive experience in the field of low-temperature technology ideally complements Bomin's many years of expertise in bunkering. The Hamburg-based joint venture took up its activities in October 2012.



## Tank Storage » Oiltanking

Oiltanking has successfully operated in the tank storage business since 1972. In 2012, an average 4,794 people were employed at Oiltanking (4,476 in 2011). The company has a broad portfolio that also encompasses – beyond tank storage – EPC, upstream services and dry bulk.

### › Tank Storage

Oiltanking is the world's second-largest independent tank storage provider for petroleum products, chemicals, gases and biofuels. Oiltanking owns and operates 72 tank terminals and two dry-bulk storage terminals in 22 countries in Europe, North and Latin America, the Middle East, Africa, India, and the Asia Pacific region. In 2012, the total throughput amounted to 170.7 million tons, including 6.6 million tons of coal/petroleum coke (148.5 million tons in 2011). Between 2011 and 2012, the storage capacity for liquids increased from 19.6 million m<sup>3</sup> to 20.2 million m<sup>3</sup> at the end of 2012. Add to this 5.3 million tons of storage capacity for coal/petroleum coke.

### › Engineering, Procurement, and Construction (EPC)

Oiltanking is also involved in the engineering, procurement and construction (EPC) of large industrial facilities. The core competencies of our Indian subsidiary IOT Infrastructure & Energy Services Ltd (IOT) lie in the engineering, planning and construction of tank storage terminals for petroleum products and chemicals, as well as facilities for power plants and refineries. In addition, IOT engineers work on projects in the Middle East, Africa, and Asia.

### › Upstream Services

In the upstream services segment, IOT offers services for directional drilling and seismic investigations. In 2008, a majority shareholding in the Canadian company Newsco was acquired. Newsco's portfolio of services includes horizontal directional drilling, the development of sensors for measurement while drilling (MWD), and the construction of drilling motors. In addition to Canada, the company has operations in the United States, Peru, Russia, Kazakhstan, and India.

### › Dry Bulk

With the acquisition of United Bulk Terminals in Davant, Louisiana in June 2012, one of the largest export terminals for coal and petroleum coke in the U.S., Oiltanking took a major step into the dry bulk sector. With an annual handling capacity of 11 million tons, the plant is the largest export terminal on the US Gulf Coast. At the Corpus Christi location in the United States, several varieties of petroleum coke as well as sulfur are transhipped for refineries.

## Aviation Fuelling » Skytanking

Skytanking is one of the few international companies that cover the entire range of fuelling services at airports. The company is now the largest independent supplier of aircraft fuelling services in Europe. Skytanking is present at airports in Europe, the U.S., India, and South Africa, and in 2012 employed an average of 1,289 people (1,146 in 2011).

### › Into-plane Services

Skytanking continued its expansion in 2012 and launched aircraft fuelling services at Frankfurt Airport and London Gatwick, as well as taking over four North Air sites in Scotland. At year-end 2012, this gave Skytanking a presence at 54 airports in 13 countries where it fuelled approximately 1.6 million aircraft. In 2012 it handled approximately 15 billion liters – on par with the prior year.

### › Aviation Fuel Storage & Hydrant Management

Besides aircraft fuelling, Skytanking operates and maintains airport fuel storage and manages hydrant systems, both its own and third-party systems. The maintenance of military refuelling equipment in the U.S. is another field of activity.

### › Engineering Services

Skytanking has an experienced team of engineers based in Brussels that supports airports, airlines and oil companies in the areas of project management, construction supervision, and planning, as well as in the delivery and commissioning of equipment for refuelling aircraft.

## Renewable Energies » Mabagas

Renewable energies have long been a growing part of the energy supply. Marquard & Bahls operates in various renewable energy sectors via several of its subsidiaries. Mabagas was founded in late 2008 to realize biogas projects, in the German and international markets, for generating energy from organic residuals and waste.



### › Biogas Plants

Services range from project planning, financing and construction to the operation of plants. In February 2012, Mabagas acquired a biogas plant in Bardowick near Lüneburg, Germany. The plant specializes in recycling organic waste from the food industry. Another plant went into operation in Namakkal, India (Tamil Nadu) in December 2012. The raw material for this exclusively organic waste-based biogas plant consists of poultry manure and residuals from the sugar industry.

### › Bio-CNG

In 2012, Mabagas opened separate pumps at six OIL! service station locations where compressed biogas (CNG - compressed natural gas) is sold as fuel. Against the backdrop of rising fuel prices and climate change, Bio-CNG is not only a particularly cost-effective, but also an environmentally friendly alternative to conventional fuels.

## Renewable Energies » Mabanaft

### › Wood Pellets

Mabanaft Deutschland acts as a wholesaler for celsico® wood pellets and biofuels. celsico® is one of the leading, internationally established premium brands in the biofuels sector and offers high-quality wood pellets, wood briquettes and fire lighters. Mabanaft Deutschland is a direct supplier to retailers, large retail chains and major industrial, urban and municipal consumers.

» During the reporting period, there were the following significant changes to the company's size, structure or ownership:



› **Carbon Trade**

Since late 2009, Mabanaf Carbon has developed climate protection projects in compliance with the United Nations Kyoto Protocol. In this connection, a remarkable product portfolio has been built up in recent years. The focus is on renewable energy and energy efficiency projects in Latin America, South Africa, Kenya, India, and Vietnam. Mabanaf Carbon was also active in trading in CO<sub>2</sub> certificates for portfolio optimization and risk hedging. Due to the high pressure on the carbon trading market and incalculable price fluctuations, the focus going forward will be on managing and marketing the portfolio of projects.

**Petroleum Analysis & Quality Management » GMA**

The quality of products and services is of crucial importance for Marquard & Bahls. Therefore, it is involved in petroleum analysis and quality management through its subsidiary, GMA. GMA's services include the analysis of fossil and biogenic fuels as well as technical support. In addition, the company is involved in the development of product standards. GMA has its own DAkkS (German Accreditation Service) accredited laboratory. Its services also include consultation on fuel additives and the development of customized solutions.

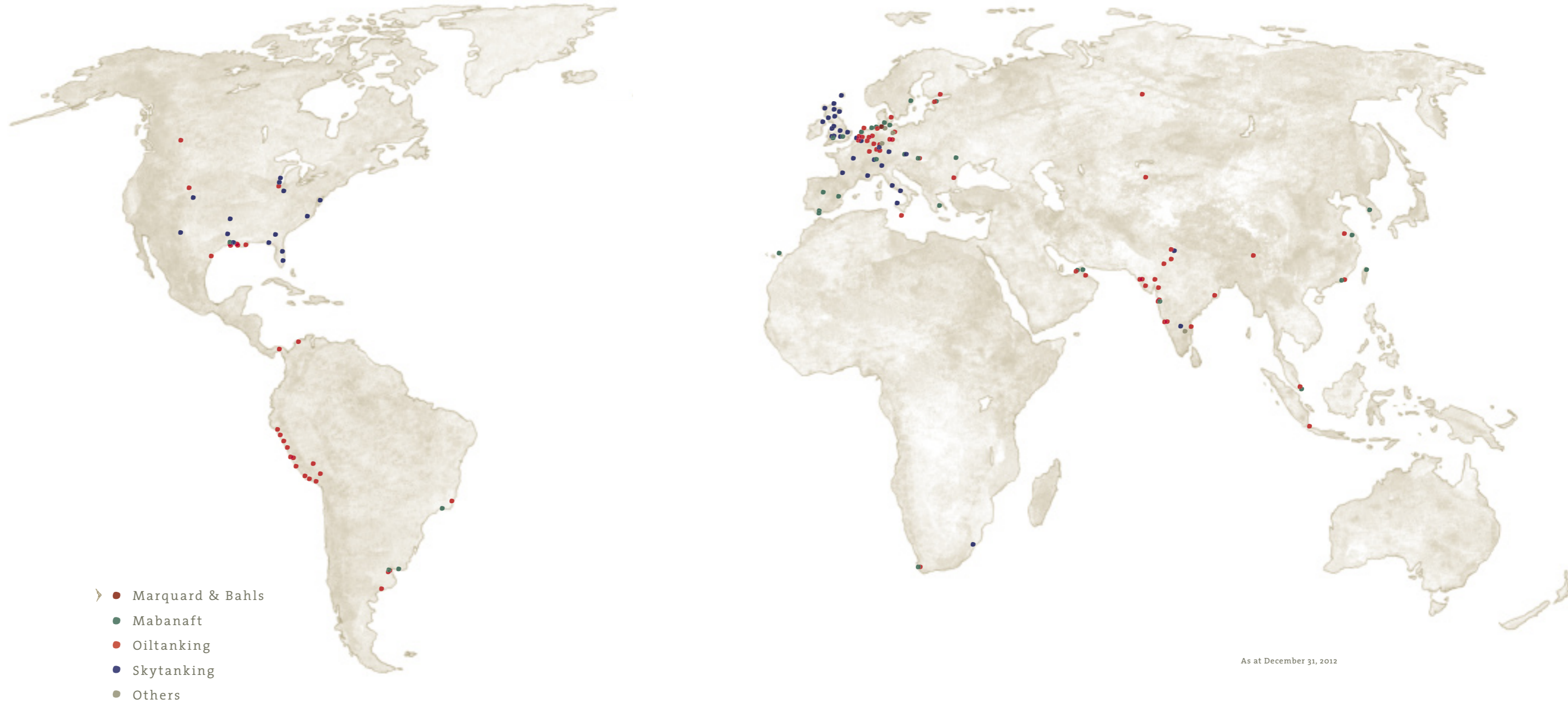
**Gas Supply » natGAS**

To meet the growing demand for gas supply, in 2000 Marquard & Bahls became the second-largest founding shareholder in natGAS, a gas supplier based in Potsdam. natGAS has expanded its market position through long-term agreements for gas supply and storage, and today is one of the leading independent market participants in Germany. natGAS has also successfully expanded internationally and now operates in France, Belgium, Austria, and Switzerland.





» Locations



As at December 31, 2012



## Sustainable Management

### » Strategy and Analysis

Marquard & Bahls is pursuing a strategy of controlled growth. Our foremost objectives include:

- Safeguarding profitable, long-term growth
- Focusing on core activities and competencies, i.e. tank storage; physical trading; renewable energies and alternative fuels
- Investing in the development of our employees
- Leveraging synergies in line with the motto "stronger together"
- Orienting our activities to the principle of sustainability

Sustainability plays a crucial role in achieving our goals, because the repercussions of our activities are socially as well as ecologically relevant. Therefore, as an international oil trading and tank storage company, the following key strategic issues determine our success in this context:

- Ensuring health and safety at work
- Spill prevention
- Climate protection
- Education and training
- Welfare of the communities we operate in or near to

Overarching development trends, in some cases political, also have an impact on our business success. These include:

- Stricter environmental laws and guidelines
- Rapidly changing legislation for renewables
- Rising prices for natural resources and purchased energy
- Demographic change and the resulting "war for talent"
- High financing costs due to tense financial markets
- Strong fluctuations in oil prices
- Political conflict in countries with oil deposits and the resultant tensions in oil markets
- Shale oil and gas boom in the U.S.



We are currently analyzing our value chain for the impact of our activities on stakeholders and the environment, with the aim of better assessing current and future challenges and risks as well as identifying opportunities. Our stakeholders' expectations will be identified for each step in the value chain and possible courses of action derived. The overarching objective is to develop a long-term sustainability strategy that breaks down the above-mentioned strategic issues into specific targets and measures.

Our mechanisms and measures to manage existing risks and identify new risks and opportunities at an early stage are discussed in the main chapter on "Sustainability Performance."

A detailed overview of our targets in the various strategic core themes of our sustainability activities is found at the end of this report. It contains a list of what has and has not been achieved, as well as a definition of targets for the immediate and medium-term future.





## » Management Approach

Our financial independence, a flat organizational structure, and a high degree of decision autonomy at the individual sites allow us to respond quickly and flexibly to the demands of the market and meet the changing needs of our customers.

### Organizational Structure

Marquard & Bahls is governed by an Executive Board and a Supervisory Board. The Executive Board determines the company's strategy based on discussions with the subsidiaries, and thorough analyses. The Supervisory Board receives regular updates from the Executive Board on the state and development of Marquard & Bahls.

### » Expanded Executive Board

To reflect the growth of recent years, Marquard & Bahls has expanded its Executive Board from two to four members. Since September 1, 2012, the Board is composed of Carlin Conner (Executive Board Member – Terminals), Christian Flach (Chief Executive Officer), Claus-Georg Nette (Chief Financial Officer) and Julio Tellechea (Executive Board Member – Trading). Julio Tellechea and Carlin Conner are also Managing Directors of Mabanaft and Oiltanking respectively.

#### Members of the Executive Board:

##### **Christian Flach** – Chief Executive Officer (CEO)

Position:

*Chairman of the Board, AFM+E  
(Foreign Trade Association for Petroleum and Energy/  
Außenhandelsverband für Mineralöl und Energie e. V.)  
Member of the Board, MEW (Association for SMEs in  
the energy sector in Germany/Mittelständische  
Energiewirtschaft Deutschland e. V.)*

*Member of the Board, Jung-Stiftung für Wissenschaft und  
Forschung (Jung Foundation for Science and Research)*

##### **Claus-Georg Nette** – Chief Financial Officer (CFO)

Positions:

*Member of the Advisory Board, Deutsche Bank AG  
Member of the Advisory Board, HSH Nordbank AG  
Chairman of the Economic Committee EBV, German  
strategic storage organization, KdöR  
Chairman of the Advisory Board, Peter Cremer Holding GmbH & Co. KG  
Vice Chairman of the Supervisory Board, Neumann Gruppe GmbH*

##### **Carlin Conner** – Executive Board Member – Terminals Managing Director, Oiltanking GmbH

##### **Julio Tellechea** – Executive Board Member – Trading Managing Director, Mabanaft GmbH & Co. KG

#### Supervisory Board:

**Hellmuth Weisser** (Chairman)

**Rolf Kirchfeld** (Vice Chairman)

**Wim Lokhorst**

**Benedikt Niemeyer**

**Jörg Weisser**

**Liesel Weisser**

The Supervisory Board discusses all major issues – including business, social, safety, and environmental matters – with the Executive Board and approves important corporate decisions, including all major investments. Following an external audit and an internal review, the Supervisory Board approves the Annual Financial Statement, the Consolidated Financial Statement, and the report on the state of affairs, which are published in the Annual Report.

Our shareholders submit their recommendations to the Supervisory and Executive Boards at their regular meetings. Some of the shareholders are also members of the Supervisory Board or the management of various subsidiaries.

It is common practice for employees to approach their supervisors, or – in exceptional cases – the Executive Board directly. In addition, they can also voice their concerns and ideas during locally performed appraisals. Employees are regularly informed about the latest developments within the group through email circulars and announcements, as well as the in-house magazines of Marquard & Bahls, Oiltanking, Skytanking and OIL! Tankstellen, a staff online portal and the individual companies' websites. In certain cases, employee surveys are conducted. For example, all employees were interviewed in Hamburg in September 2012 in connection with the planned new building in Hamburg's Hafencity, especially regarding individual childcare needs and sport provisions. The results were incorporated into the planning.



### Sustainability Management & Instruments



We want to align our business activities and management structures with the principles of sustainable business. To make our progress transparent and verifiable, in future we plan to set even more specific targets in the areas of economic, environmental, and social responsibility as well as corporate citizenship.

In line with our core business, the main focus of our sustainability management lies in the areas of Health, Safety, Security & Environment (HSSE). Oiltanking, Skytanking, as well as all larger Marquard & Bahls companies have a designated HSSE Manager to supervise all HSSE related topics and questions.

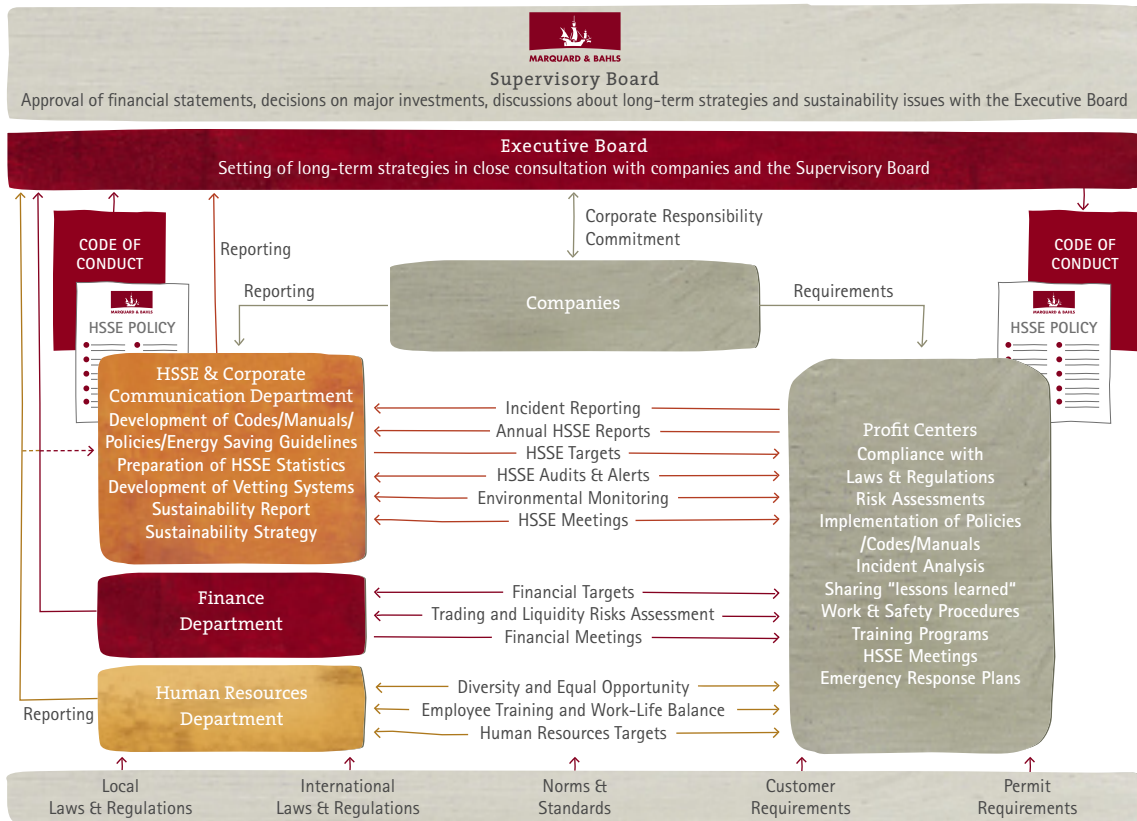


Fig. 1: Integration of sustainability into the management approach

### › Corporate HSSE Policy

To firmly establish responsibility for environmental and social concerns at the highest level, the relevant principles are reflected in our HSSE policy, which was ratified by the Marquard & Bahls Executive Board. The managements of all subsidiaries worldwide have also signed corresponding corporate HSSE policies and displayed them on the premises.

### › Guidelines & Standards

We develop our internal policies and standards based on internationally recognized principles of responsible entrepreneurship. The basis for this is our binding Code of Conduct for all employees. Furthermore, we respect the Universal Declaration of Human Rights and the eight core labor standards of the International Labour Organization (ILO).

We will further embed the ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the principles of the German Corporate Governance Code and the German Sustainability Code in our processes, even if we are not yet an active signatory.

The Marquard & Bahls HSSE & Corporate Communication department develops specific manuals, guidelines, and standards in accordance with the risks related to the subsidiaries' specific activities, which often go beyond statutory requirements. Sustainability reporting and the Code of Conduct also fall within HSSE & Corporate Communication's scope. The head of the department reports directly to the CEO.

### › Audits

We use internal HSSE audits to continually improve our performance and review our progress in the areas of Health, Safety, Security & Environment. On behalf of the Executive Board, the HSSE & Corporate Communication department monitors Oiltanking and Skytanking locations worldwide for their compliance with company standards. In 2012, Oiltanking, Skytanking, Petronord, and OIL! underwent a total of 18 internal and 377 external audits – the latter included audits by authorities, customers, and insurance companies.



### › Key Performance Indicators

Key performance indicators (KPIs) are another tool used to audit and improve the system. Detailed HSSE statistics with "leading" (forward-looking) and "lagging" (retrospective) indicators are prepared for the whole group (except Petronord and Bomin) and for each profit center. At Oiltanking, for example, in addition to reporting near misses, we have also integrated other leading indicators into our reporting system, such as unsafe acts and conditions or HSSE training hours. Since 2011, indicators such as near misses, accident rate, and product spills have been a bonus-related element of management remuneration at Oiltanking.



### › **Certified Management Systems**

A total of 40 Oiltanking locations (54 %) worldwide have been certified for quality management (ISO 9001), 21 locations (28 %) for environmental management (ISO 14001) and 22 locations (30 %) for health and safety management (OHSAS 18001). Of these, 19 locations (26 %) have triple certification. 31 locations (42 %) have not had any of their quality, environmental or occupational health and safety management systems certified. At Skytanking too, four of its 54 locations have now been certified in accordance with ISO 9001 (7 %); three of these have also had their environmental management systems certified to ISO 14001. These management systems have been developed to continuously increase the effectiveness and efficiency of the business processes. Several other Marquard & Bahls companies have organized their management processes in a very similar way.

### › **Global Exchange**

To promote a constructive HSSE discourse, once a year HSSE managers from Oiltanking locations worldwide convene for a week to discuss current matters of HSSE management, exchange ideas and experiences, and create synergies. Skytanking also holds international HSSE meetings as part of its annual global management meetings.

### › **Identification of Issues**

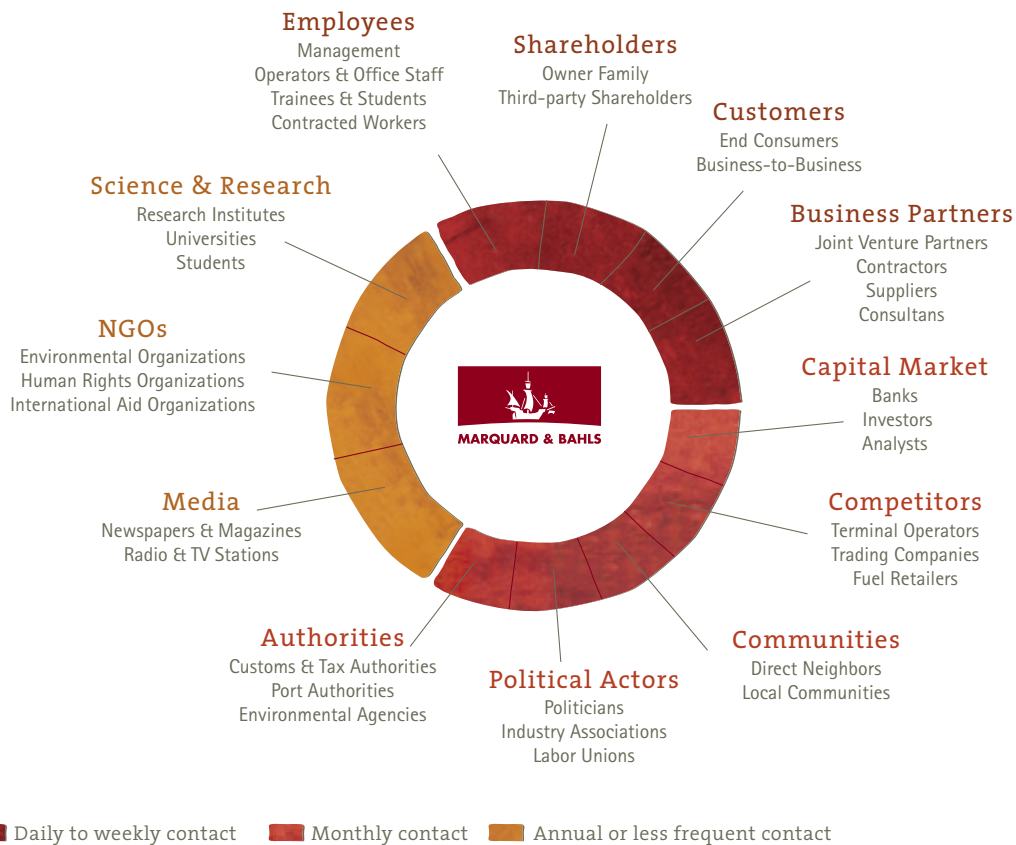
We continuously monitor and assess emerging sustainability issues. The stakeholder dialogs systematically carried out since 2011 help us in this by serving to identify issues that are relevant for both our stakeholders and our company, to spot risks at an early stage, and to develop new business opportunities.

### › **Other Instruments & Programs**

The HR department cooperates closely with the individual subsidiaries to develop strategic programs pertaining to our social responsibility, such as employee development programs. The preservation of our company's short- and long-term financial stability is the key task of the Finance and Tax departments. These departments ensure the financial liquidity needed to implement our often capital-intensive business, and define the financial targets in close coordination with each company.

## » Inclusion of Stakeholders

Because we are active in various lines of business, we have contact with many different stakeholders. We have identified the most important stakeholders for us through internal discussions, workshops, external analyses, and industry comparisons.



**Fig. 2: Marquard & Bahls stakeholders**

As our subsidiaries' fields of businesses differ widely, their frequency of contact with stakeholders varies, as do the relevant issues. While contact with employees, shareholders, customers or business partners usually takes place on a daily or weekly basis, with other stakeholders it is less frequent.

» Stakeholders are individuals or institutions who have an interest or a stake in a company and who can affect its activities and objectives – or be affected by them.



One of our goals is to systematize our stakeholder dialog. This includes identifying relevant stakeholders, developing more target-driven communication structures, and the joint development of strategies for issues requiring attention. For this purpose, in 2012 a stakeholder management guideline was completed, which sets out the key objectives and activities of the stakeholder strategy and explains in detail the principles for the implementation of stakeholder dialogs using various instruments. The first dialogs were conducted at the holding company level and local level in 2011 and 2012. Our goal is to gradually increase the number of such conversations and incorporate the results in our sustainability strategy.

#### › Information of Local Residents

Sometimes our business operations can affect the people who live near our facilities. Experience has shown that entering into direct dialog with them at an early stage is helpful to ensure that a community's expectations and needs are addressed at an early stage. This takes place in different ways depending on the location, e.g. in round-table discussions where, in some cases, stakeholders from politics as well as local residents and business representatives participate.

#### › Involvement in Associations & Politics

As part of our national and international lobbying, we are involved in several national and international organizations to develop and implement industry-wide sustainability standards. These include the UPEI (Union of European Petroleum Independents), FETSA (Federation of European Tank Storage Associations), EPCA (European Petrochemical Association), AEBIOM (European Biomass Association), OCIMF (Oil Companies International Marine Forum) and various national organizations such as the AFM+E (Foreign Trade Association for Petroleum and Energy/Aussenhandelsverband für Mineralöl und Energie e. V.), UTV (Independent Tank Terminals Association/Unabhängiger Tanklagerverband e. V.), and LAV (Latin America Association/Lateinamerika Verein e. V.). We are an active member of the European Barge Inspection Scheme (EBIS) to promote a continual improvement in the design and operating standards for tank barges. In addition, our subsidiary GMA is involved in the ongoing development of product standards, in particular through participation in national and international standardization bodies.

The Public Affairs department in Hamburg monitors the latest political decisions and regulations, evaluates them, actively participates in debates with decision makers, and works closely with the relevant associations. Furthermore, the department communicates the role of oil as an energy source, and the position of small and medium-sized oil companies to the outside. There is a particularly great need for information on oil logistics, which is met among other things by organizing visits to tank terminals for representatives from government and ministries. Marquard & Bahls has maintained a liaison office in Berlin since 2009.

A key theme in our association work is the harmonization of German and European energy policies. Since 2012, one focus of our work has been the Energy Efficiency Directive proposed by the European Commission. The directive recommends measures to improve energy efficiency at all stages of the consumption chain.

## About this Report

### » Reporting Period and Scope

This third Marquard & Bahls Sustainability Report covers the 2012 calendar year. In drawing up this report, we collected key performance indicators for all Marquard & Bahls companies including joint ventures, even if they are minority holdings. The only company we have not included – except for its revenue and employee figures – is natGAS, as we have no appreciable influence on its activities. The same is true of our subsidiary Bomin, which we acquired in June 2012 – here, too, we have only taken its revenue and employee figures into account, as the required reporting structures must first be established. The appendix contains a list of all the companies included in this report. The information is presented in the same way as last year. As Marquard & Bahls did not receive any external sustainability awards during the reporting period, we do not provide any information on this aspect.

All financial information is expressed in euros (€), foreign currencies have been converted to euros at the average exchange rates for 2012. This report is available in German and English. The German version is authoritative. The editorial deadline for this report was July 31, 2013. The previous report was published in August 2012. The next report is scheduled for summer 2014. If you have any questions or feedback about the Sustainability Report, please email us at:

[sustainability@mbholding.com](mailto:sustainability@mbholding.com)

The report was compiled by the Marquard & Bahls HSSE & Corporate Communications department in Hamburg, in cooperation with the subsidiaries and approved for publication by the Marquard & Bahls Executive Board. The report can be downloaded from our website. A print run of 2,700 copies was printed climate neutrally.

### » Data Collection

The HSSE data published in this report comes from the annual reports completed by all locations. The personnel and financial data was collected by the corresponding departments.





» Relevant Issues

We conducted an internal "materiality analysis" to identify the issues that are important in our sustainability efforts. In the process, we identified and assessed relevant sustainability issues based on leading sustainability principles such as the Global Reporting Initiative (GRI), evaluated their importance for our stakeholders, and classified them in a materiality matrix. The key issues identified (see circled keywords in Fig. 3) were included in our updated "Temple of Corporate Responsibility" (see Fig. 4). We will further discuss this basic inventory with our stakeholders in the future.

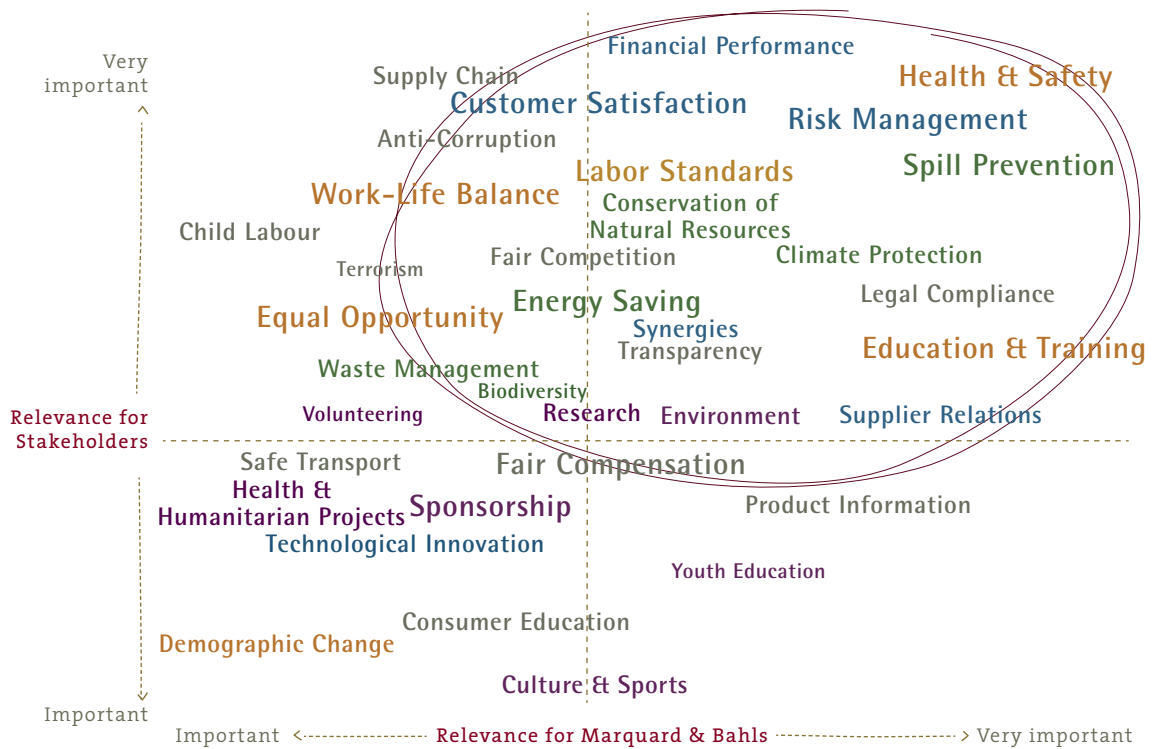


Fig. 3: Issues identified as being of particular significance (our power of influence is represented by the font size)

Although issues in the area of charitable commitments are of comparatively minor importance for most of our stakeholders, we have nevertheless included them in our sustainability strategy, because we view this commitment as an important element of our corporate responsibility.



Fig. 4: The Marquard & Bahls “Temple of Corporate Responsibility”

This “temple” should be seen as dynamic, as we expect to expand it in the next few years to include more strategic areas. For instance, in 2012 we added the topics of “synergies” and “conservation of natural resources” to the “temple” and restructured the area of charitable commitments. To facilitate comparison of our performance with other companies, the relevant data is shown in accordance with the GRI Guidelines (version 3.0 from 2006). The report constitutes a balanced and reasonable representation of our company’s economic, environmental, and social performance indicators. Each area is color-coded in accordance with the “temple” shown above and describes the challenges that we face; our targets; the initiatives necessary to achieve these targets; as well as examples of best practice, management approaches and performance data. The targets are highlighted with a bull’s-eye icon in the text margin and are summarized in a table at the end of this report.



A list of the GRI indicators can be found in the appendix. In total, we report on 25 indicators fully and on 26 in part. According to a self-assessment on the basis of the GRI Guidelines and a review by the GRI, application level B applies. Our goal is to further improve the reporting of some indicators in the next report – for example, by mapping more quantitative developments over time. Further information can be found in our Annual Report and on our website at [www.mbholding.com](http://www.mbholding.com).



# Sustainability Performance



In our globalized world, companies face a variety of economic, environmental, and social challenges.

We tackle these challenges with sound, individual solutions. Our priority is to avoid a negative impact of our actions on society and the environment and thereby contribute to sustainable development.

Pole Star

# GPS



# Corporate Governance

Corporate Governance refers to the rules and practices that govern the relationships between a company's managers, shareholders and employees, as well as those to the customers, business partners, institutions and communities it is in contact with.

Good corporate governance ensures fairness, transparency and responsibility, which makes it an important element in our company's integrity. It builds confidence and trust so that we can make reliable commitments to our employees, shareholders, and creditors, and is also an essential prerequisite for obtaining outside capital.



## Corporate Governance

Good corporate governance has a direct influence on our reputation. Safeguarding it is a high priority for us, so we have developed various guidelines and procedures to preserve it and prevent non-compliant actions. These include our Code of Conduct, the group-wide whistleblowing system, the Compliance Team, and guidelines for procurement. Our Code of Conduct is based on 16 principles that are divided into four chapters:

- › Business & Finance
- › Safeguarding
- › Integrity
- › People

These principles are intended to create a uniform set of values, and provide guidance for how the individual should behave in the context of the Marquard & Bahls philosophy. In accordance with our "Temple of Corporate Responsibility," some of these principles are addressed in this report.

In the "Anti-Corruption" section, we describe our whistleblowing system for reporting cases of non-compliance. It is a tool that gives all employees worldwide a central system for reporting violations of the Code of Conduct, while allowing them to remain anonymous if they wish. Every reported incident is investigated thoroughly. The Executive Board is informed of the nature of reported incidents and the status of the investigation, but is not given any information regarding personal details. The Marquard & Bahls Code of Conduct can be downloaded from our website ([www.mbholding.com](http://www.mbholding.com)) in 19 languages.

### Legal Compliance

Compliance with the law is a matter of course for us. Both national and international laws and regulations are important in this. Legal developments are monitored and reviewed for their relevance for Marquard & Bahls. One important indicator of regulatory compliance is the number of fines and penalties, with fines over 1,000 euros defined as essential. In 2012, we were fined a total of 30,030 euros globally (18,100 euros in 2011) for non-compliance with laws and regulations. Only 2 % of them were in connection with environmental infringements, such as fines for minor spills. The remaining 98 % are attributable to five reprimands from the U.S. Federal Railroad Administration, relating to charges of technical deficiencies in railcars that we loaded but do not own. This explains the sharp increase in fines over the previous year, which unfortunately means that this



year we were unable to achieve our goal, set in 2010, of steadily reducing our fines. To underscore our plan, we will use the amount of fines from 2011 as the basis for comparison for the coming year.

The products traded, transported, handled, and stored by our group are subject to national and international i.e. European legislation, and must therefore comply with hazard communication maintained, including accurate product labeling and the provision of safety data sheets at Mabanaft. Most of the products traded by Mabanaft are classified as hazardous and are therefore subject to strict product information requirements. In addition, Oiltanking has maintained a central database for product information sheets for over ten years, which now contains data of more than 1,000 products.

### **Fair Competition**

Marquard & Bahls is committed to fair competition. Our subsidiaries involved in procurement have introduced formal procurement guidelines to help ensure fair competition in keenly competitive markets by establishing fundamental values, conduct and responsibilities.

Procurement plays an important role especially at Oiltanking, where materials and technical equipment are needed for the construction or expansion of terminals. In accordance with our formal procurement guidelines, staff are obliged to promote fair and transparent competition, avoid any kind of personal obligations to vendors, act honestly and report all forms of malpractice to their supervisors and/or the company management. Our standards are asserted by imposing sanctions on suppliers who violate our Code of Conduct. As a further tool to ensure fair competition, an international procurement and contracting training program has been carried out with the relevant employees for many years.

### **Fair Remuneration**

As employing the best people is one of our most fundamental interests, Marquard & Bahls pays its staff fair remuneration as a matter of course. This remuneration practice applies to all employees, whether they are employed full-time or on a temporary basis. We also operate in low-wage countries such as China or India. As in other countries, we do not set any rules for minimum wages at regional level, but our salaries are generally higher than the industry average.





**Anti-Corruption**

Marquard & Bahls does not tolerate corruption and bribery. Our Code of Conduct informs employees about our principles regarding this issue and asks them to report concerns about or specific cases of possible corruption to our Compliance Team. To further increase our employees' awareness of corruption, we have carried out customized training programs for years. In addition, all locations were subjected to an analysis according to the Transparency International Corruption Perceptions Index 2012 to detect possible corruption risks. Some of our companies and joint ventures are located in countries with a high corruption risk (see Fig. 5). Here, we continue to strengthen our activities to preclude corruption from the outset. Most sites are located in countries with medium risk, whereas most of our revenues are generated in low-risk countries such as Germany, the United States, the Netherlands, the U.K., and Singapore.



In 2012, there was a whistleblowing case in the course of which former employees raised allegations of corruption against a subsidiary's senior employees. After personal interviews with the whistleblowers, a reputable auditing firm was appointed to investigate the facts. Although the investigation did not substantiate the allegations, Marquard & Bahls took this case as an opportunity to optimize and formalize local processes to make internal business processes and outsourcing more accountable and transparent.

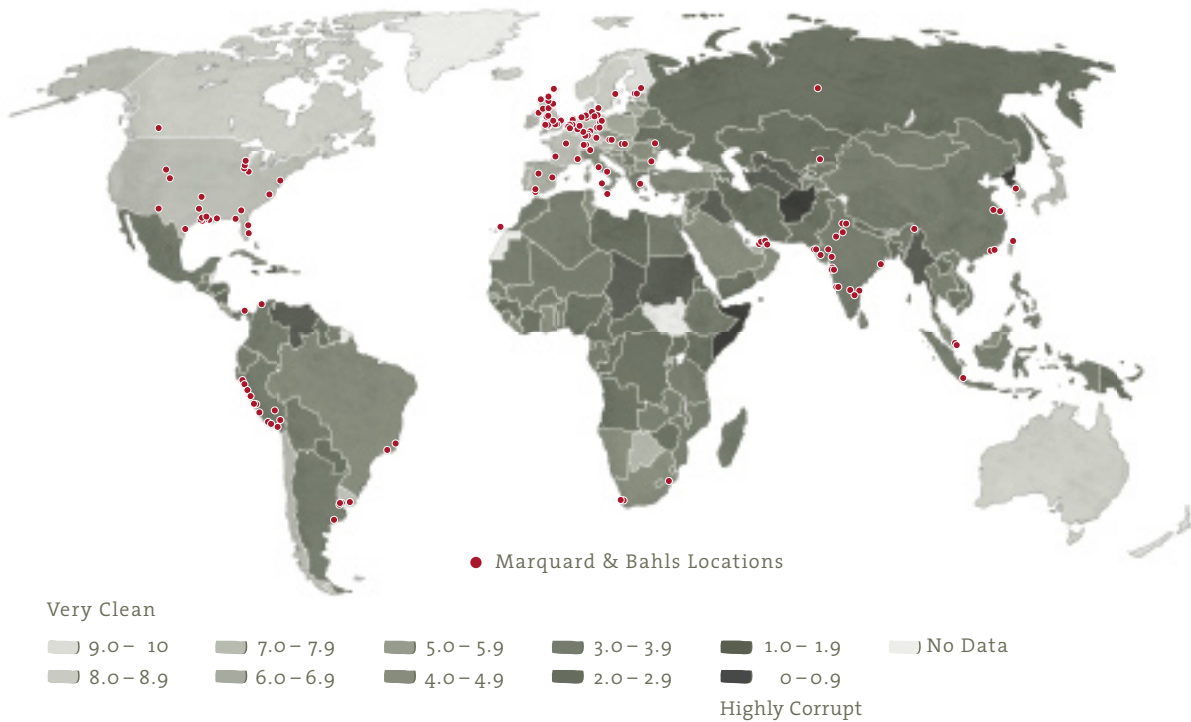


Fig. 5: Corruption risk according to the Transparency International Corruption Perceptions Index (2012)

## Transparency

The comprehensive disclosure of relevant information to our employees and other stakeholders is a high priority. At group level, this task is the responsibility of our HSSE & Corporate Communications department, in close coordination with the Executive Board and the respective Managing Directors. New developments and important company information are regularly communicated through emailings and notices posted on our bulletin boards. Press releases and other publications are found on the companies' websites. Beyond this, we communicate with our employees through in-house magazines like *Fleetpost* (Marquard & Bahls), *connections* (Oiltanking), *Skytanking Life* (Skytanking), and *OIL! INSIDE* (OIL! Tankstellen), and on digital employee portals.

### › Responsible Marketing

Because we have no points of contact with consumers – except for the heating oil retail business and the service stations under the Mabanaft umbrella – there are no specific group-wide rules on responsible marketing. However, matters such as environmental aspects are included in the form of energy-saving tips on the website of Mabanaft's "Initiative Pro Klima" program.

### › Data Protection

Another important area where transparency represents a basic principle is privacy and data protection. At Marquard & Bahls, this topic has been the responsibility of the HSSE & Corporate Communication department since 2010. Important measures in Germany are the creation of an extensive data protection manual; employee training as part of which the staff are provided with extra documents to study on their own; and specific audits focusing on video surveillance. In addition, the latest legislative initiatives are continually monitored in order to ensure present and future compliance with data protection laws. At an international level, the data protection laws of all countries where Marquard & Bahls has operations, are analyzed. Extensive IT security systems ensure high-grade protection of employee, customer, supplier, and other business data.



**TIME**

is

# Economic Responsibility

Companies are meant to make a profit. At the same time they are expected to conduct their business activities within the existing legal framework and to ensure that the regions in which they operate also derive economic benefit.

Our independence from capital markets allows our company to act independently of their daily fluctuations and short-lived management trends. Instead of maximizing short-term stock price or profit, we strive for long-term profitable growth.



## Economic Responsibility



The goal of our strategy is long-term profitable growth with a reasonable return on investment. We publish our key financials in detail in our Annual Reports, which are available for download in both German and English from the Marquard & Bahls website.

By additionally publishing economic indicators in accordance with GRI requirements in this document, we present a comprehensive picture of Marquard & Bahls' contribution to the sustainability of a larger economic system. In Hamburg and many other places around the world, we pay taxes, create jobs and invest in infrastructure.

### Financial Performance

Marquard & Bahls looks back on 2012 as a year that was both successful and challenging. While the tank terminal division (Oiltanking) continued the success seen in prior years and grew its earnings again, the trading division (Mabanaft) once again closed with a loss. This was due to additional operating losses in international trading at the beginning of the year, and to extraordinary expenses in connection with the decision, taken in early 2012, to discontinue this line of business, and the related closure of the trading offices in Houston and Rotterdam. It was very gratifying that the third-largest division, aviation fuelling (Skytanking), again made a significant positive contribution to the overall group result.

Consolidated net profit after tax increased by more than 50 % to 106.4 million euros. Equity increased by 40 million euros year-on-year to 1.387 billion euros. Group sales fell slightly to 18.3 billion euros. After deducting the cost of sales, operating expenses, and depreciation and amortization, the operating result came to 197 million euros, a significant improvement over the prior year. Total assets amounted to 4.688 billion euros – up by around 640 million euros year-on-year. This increase is due in particular to investment activity during the past fiscal year, which is reflected in an increase in property, plant and equipment and intangible assets by about 714 million euros to currently 2.299 billion euros.

In concurrence with our Annual Report, the financial data listed in Tab. 1 and Fig. 6 – except for earnings after tax – does not include partially consolidated or non-consolidated companies such as IOT in India, Consorcio Terminales in Peru, Star Energy Oiltanking in Dubai, Oiltanking Odfjell Terminals Oman and Oiltanking Odfjell Singapore. Therefore the actual salaries and taxes we pay are much higher.

Tab. 1: Consolidated figures in accordance with the audited consolidated financial statements

		2012	2011	2010
		million €	million €	million €
Monetary value generated	Revenues before energy taxes	18,258.9	18,564.7	13,800.0
Monetary value distributed	Cost of materials, mainly oil purchases	16,263.5	16,608.1	11,828.0
	Current salaries	229.3	217.5	215.0
	Interest income	11.6	6.1	4.1
	Interest expenses		70.9	72.5
	Dividends for the previous year		18.1	16.7
	Tax expense	56.3	42.9	56.5
	of which current taxes paid in:	48.1	42.9	44.4
	Germany	11.8	10.5	10.9
	The United States	17.1	5.8	6.5
	The Netherlands	1.8	7.5	5.5
	Malta	1.9	1.1	5.5
	Belgium	11.8	6.3	5.3
	Singapore	6.5	6.4	4.4
	Argentina	4.8	3.1	2.7
	United Kingdom	-0.5	0.2	2.3
	Other countries	1.1	2.1	1.3
	Investments in the community (donations, community projects, etc.)	0.4	0.3	0.2
Earnings after taxes on income		106.4	70.3	150.2

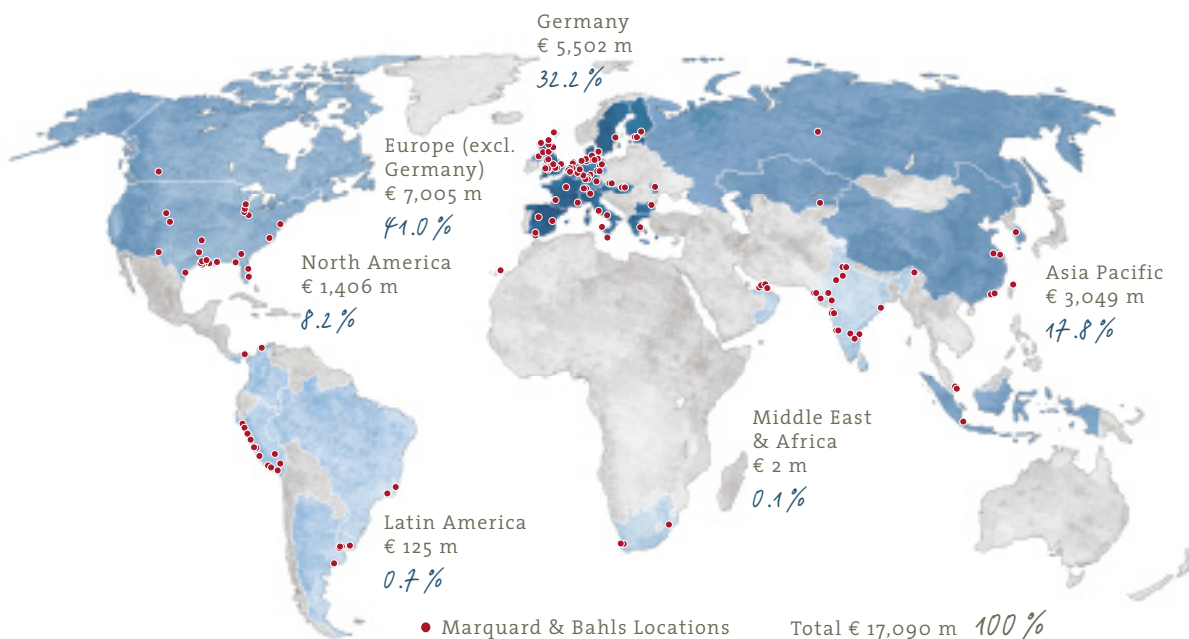


Fig. 6: Revenues of fully consolidated companies by region in millions of euros, net of energy tax expenditure (2012)



## Risk Management

One of our greatest challenges is to limit the many financial, operational, and environmental risks while pursuing our strategy of controlled, long-term growth. Given the variety of activities within Marquard & Bahls, it is important to evaluate all risks individually. Based on this analysis, we have defined tailor-made mandates, tasks, and responsibilities. Although we are convinced that this individualized approach is important and sensible, our goal is to assess risks in the context of the entire group, taking into account social and environmental aspects.



### › Trading Risks

The Risk Management team at Mabanaft is primarily concerned with identifying and determining market risks caused by the high level of volatility in commodity prices, currency exchange rates, and interest rates. These market risks are primarily hedged by derivatives, which serve to protect the physical business from negative price movements by limiting losses. Here, mandates clearly define the scope of action for each individual trading company. The Mabanaft group mainly trades in futures and swaps. The Risk Management department also administers clearing activities regarding the derivatives traded, and creates daily risk profiles of the trading activities of each Mabanaft company.

### › Country Risks

As an international, growing company, we also explore business opportunities and start-ups in countries with higher risks. Our senior staff and project developers in particular encounter various legal and regulatory frameworks, political rivalries and potential instability that can affect the success of our activities. Understanding and monitoring these risks prior to making new investments, and drawing up detailed risk assessments, can constitute a competitive advantage. We also seek advice from regional experts before entering into any business activity in countries with increased political risks.

### › HSSE Risks

In recent years, Marquard & Bahls has seen rapid growth in the areas of tank storage and aviation fuelling. This development comes with increased risk of accidents, leaks, and fires. We counter these risks with a proactive safety culture, including technical, organizational, and behavioral measures. For example, there are detailed HSSE manuals for Oiltanking, Skytanking, and OIL! Tankstellen, as well as training films and site-specific operating instructions for which regular training is carried out. To ensure a comprehensive exchange of knowledge, our local HSSE managers have access to internal databases and platforms that contain relevant safety information. This information is adapted by the

HSSE managers to site-specific conditions and is communicated and put into action locally. The local officers can also upload information and share it with the rest of the company.

The sections on "Spill Prevention", "Health & Safety" and "Education & Training" contain further information about our efforts to minimize HSSE risks.

### **Synergies**

Good cooperation – especially between the individual companies – and the leveraging of synergies are very important for our business success. The combination of its different lines of business makes Marquard & Bahls what it is – more than the sum of its divisions. Making even better use of the existing knowledge and skills within the group will be decisive for the future of the business. An example of this is the "New Business Ventures" (NBV) division, which we launched in early 2012. It is tasked with analyzing and promoting new business approaches that sensibly complement our existing activities. The NBV team has already identified some interesting business ideas.

### **Supplier Relations**

We treat our suppliers with respect, maintain an honest relationship with everyone involved in the business processes, and strive to establish long-term cooperative partnerships. For us, this means not only acting responsibly on our own premises, but along the entire supply chain. The diversity of our businesses is reflected in the spectrum of our suppliers, which ranges from vendors of technical equipment for our tank terminals to office equipment suppliers. If a supplier violates our Code of Conduct or HSSE standards or does not meet our quality requirements, we will terminate the business relationship. Internal supplier lists increase transparency regarding the quality and performance of our business partners, with the ultimate goal of giving our customers excellent services and products. At our sites we also place great importance on safe working procedures for employees from third-party contractors. Measures currently employed range from HSSE guidelines and detailed work instructions to safety briefings at our sites. For Oiltanking, an integrated contractor safety management program is currently being developed.

### **Customer Satisfaction**

Building long-term cooperative partnerships with our customers is one of our key strategic priorities. Our employees play a central role in ensuring the satisfaction of our customers. Responsible and dedicated teams guarantee excellent services, which in turn leads to customer loyalty. We therefore feel it is important that our employees can make decisions autonomously, enabling them to respond flexibly to customer requests. This belief is deeply rooted in our philosophy.





PHASE I



PHASE II



PHASE III



PHASE IV



# Ecological Responsibility

The world faces a host of serious environmental problems that affect the wellbeing of humans and the environment alike: global warming, loss of biodiversity, deforestation, and water pollution. Companies profit from the earth's ecosystems, and yet at the same time they contribute to these environmental problems.

Therefore, taking responsibility for our environment is a priority in all our activities. We are committed to an efficient use of energy and natural resources. We regularly monitor the volumes of wastewater, emissions, and solid waste generated as part of our activities, and strive to minimize them.



## Ecological Responsibility

Environmental issues are an essential part of the integrated HSSE management system at Marquard & Bahls. At Oiltanking, we have for many years recorded the amount of energy and water used, the frequency and quantity of spills, and the waste we produce. We have introduced appropriate indicators for each of these issues, and have, in recent years, added these indicators to our other subsidiaries' reporting as well. To further improve our environmental management, an ISO 14001 environmental management system has been introduced and certified at 24 of our 128 Oiltanking and Skytanking sites. As our subsidiaries are not involved in conventional product development, no criteria or instruments for sustainable product development are included in our environmental management system.

### Spill Prevention

Preventing spills is a challenge for companies that handle petroleum and chemical products. Modern facilities, efficient workflows, and preventive maintenance programs serve to minimize the risk of spills. In 2012, the number of incidents involving  $\geq 100$  liters of spilled product per 1 million tons of throughput was 0.29, representing a nearly 15 % year-on-year reduction (0.34 in 2011). Across the group, there were 59 incidents involving a product release of more than 100 liters.

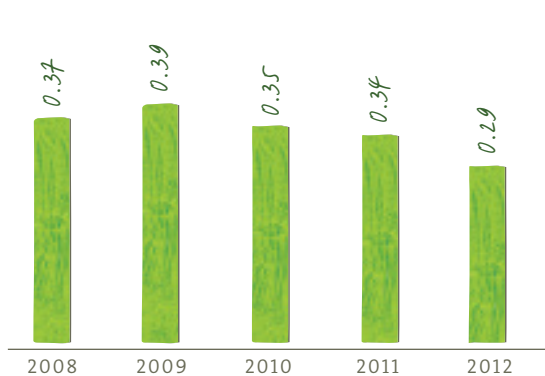


Fig. 7: Product releases  $\geq 100$  l per 1 million t of throughput at Marquard & Bahls

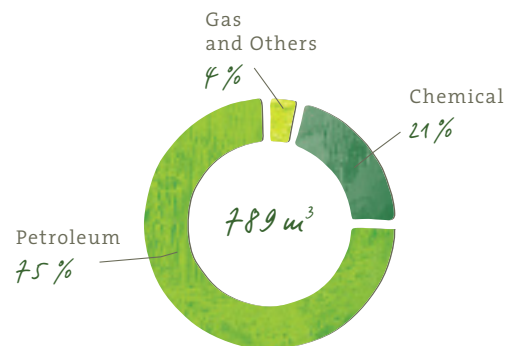


Fig. 8: Product releases  $\geq 100$  l by product type (2012)

The total volume of product released on our collective premises has risen from 308 m<sup>3</sup> in 2011 to 789 m<sup>3</sup> in 2012. These mainly involved petroleum products (75%), chemicals (21%), and smaller amounts of gases or other substances (4%). The reason for this sharp rise is due to two major events in Europe, both caused by material defects. During one incident, 314 m<sup>3</sup> of product could not be recovered. It is now being removed from the substrate



through extensive soil remediation measures. For the Oiltanking sites, our goal is to reduce product spills by 10 % compared to 2012.

#### › Precautions in Case of Spills in Waters

To ensure professional support in the event of major oil spills, Marquard & Bahls has been a shareholder in Oil Spill Response Limited, the world's largest oil spill response company, since 2004. Oil Spill Response Limited was founded in 1984 and is wholly owned by international oil companies. At Oiltanking, scenario-specific contingency plans were developed for all relevant sites, and practical training and drills were carried out. Such a drill was performed at the Camisea platform operated by Oiltanking Andina Services in 2012. Marquard & Bahls is also an active member of the Oil Companies International Marine Forum (OCIMF), a voluntary association of oil companies that works to ensure a safe and ecologically responsible operation of oil tankers and tank terminals.

#### › Ship Charter Policy

To avoid oil being transported by ships that do not meet our standards, Mabanaft has established a Ship Charter Policy that defines detailed minimum requirements for chartered or accepted ships (C-term purchases). Its overriding goal is to ensure safe transport of the products at all times, and strict adherence to the changing requirements and rules of international tanker shipping. Among other things, this includes the requirements of the International Maritime Organization (IMO), age limits, hull types and the assessment of the flag state. To enable a quick and up-to-date assessment of ships in accordance with this policy, we have commissioned the development of a customized web-based information system.

### Energy Saving & Climate Protection

#### › Energy Consumption

Marquard & Bahls uses direct and indirect energy sources to operate its facilities, sites, and vehicles. In the last Sustainability Report we set ourselves the target of reducing our relative energy consumption (MJ/t of throughput) in our tank storage activities by 10 % in the next three to five years.

Direct energy consumption totaled 1,234,332 gigajoules (GJ). This includes natural gas, heating oil and fuel for the operation of our pumps, boilers, service vehicles, and road tankers (1,351,518 GJ in 2011). Indirect energy – mainly electricity – is used among other things for pumps and lighting at our tank terminals; the hydrant systems at our aircraft



Ecological Responsibility

fuelling sites; and carwash facilities at our OIL! service stations. The computers in our offices are also constant consumers of energy. Other indirect sources of energy that we use include district heating and, to a lesser extent, imported steam. In 2012, indirect energy consumption totaled 758,604 GJ (771,991 GJ in 2011), bringing the total amount of direct and indirect energy to 1,992,936 GJ (2,123,509 GJ in 2011). Given the growth our company experienced in 2012, this development is very good news.

Due to the diversity of our group, our consumption figures are only partly comparable with those of other companies. Therefore, for purposes of comparison we show the figures of our tank storage activities as "consumption per 1 million tons of throughput." Figure 9 clearly shows the 12 % year-on-year reduction achieved in 2012 (from 10.8 MJ in 2011 to 9.5 MJ in 2012). This was achieved by raising employee awareness and through improved processes and systems. So we have already achieved our goal of reducing relative energy consumption in our tank storage activities by 10 % over the next three to five years. We have therefore set a new target of reducing our relative energy consumption by another 10 % by the end of 2015.



Electricity Fuel  
Gas Steam

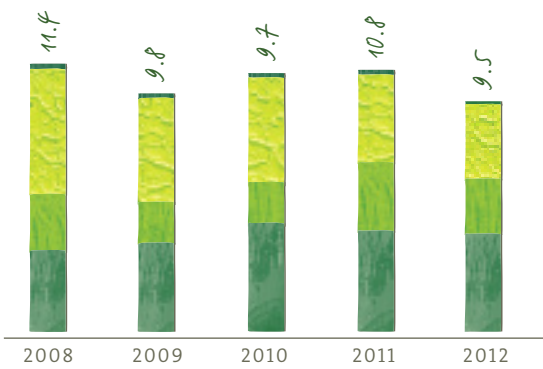


Fig. 9: Energy consumption in tank storage activities per throughput (MJ/t)

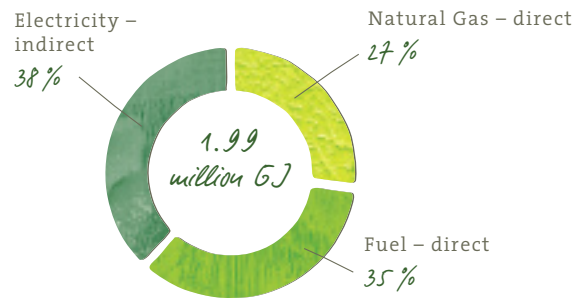


Fig. 10: Total direct and indirect energy consumption by type (2012)

(Due to a subsequent correction of the throughput calculation at some tank terminals, all annual values have increased in comparison to the 2011 report.)

The proportion of renewable energy in purchased power was surveyed at all sites for the first time in 2012. To date, only a small proportion of our sites buy green electricity: five Oiltanking sites, two Skytanking sites, and 21 OIL! service stations reported a proportion of more than 20 % of green energy in their energy mix. On-site power generation takes place in a few cases, e.g. at our tank terminal in Colombia, where the loading rack for road tankers was equipped with solar panels, as well as at the Mabagas biogas plants. At our plant in Namakkal, India, which went into operation in late 2012, about 8 million m<sup>3</sup> of biogas can be generated per year during regular operations with the existing capacity, and then converted into electricity using two cogeneration plants of 1.2 MW (el) each. Our biogas plant in Bardowick near Lüneburg generates an electrical output of about 2 MW (el) per year and also feeds it into the grid.

Figure 10 shows the total energy consumption of all Marquard & Bahls subsidiaries with the exception of natGAS and twelve tank terminals in India, where Oiltanking is responsible for their operation and maintenance, but only has a limited influence on the infrastructure and processes. Furthermore, 130 Petronord service stations are excluded because the energy data was incomplete: in most cases, their energy consumption cannot be measured separately because they share sites with other owners, or the energy costs are covered in the rental agreement. In the case of the 21 Skytanking sites in the U.K., energy data was only available to a limited degree, as energy is usually invoiced directly via the airport or is included in the lease agreement. Nevertheless, we were able to include data on the consumption of fuel and electricity at most of these Skytanking sites. We have also included all of our joint ventures in order to show a complete picture. We received data from 150 OIL! service stations and calculated average values for the other 100.

### › Reducing Energy Consumption

The most energy-consuming activity at Marquard & Bahls is the pumping that takes place at the Oiltanking tank terminals. To detect potential savings and implement measures to improve energy efficiency, a detailed Energy Saving Guideline with background information and practical recommendations was prepared and distributed in May 2011. As part of Oiltanking "Advanced Management Program," the Energy Saving Guideline was put into action at three large tank terminals, enabling further savings to be identified and general recommendations to be derived. Since then, the program has been implemented at various sites. For instance, Oiltanking Bulgaria has equipped three pumps with frequency converters and is now converting the street lighting at the tank terminals to LED, which will reduce power consumption for lighting by 60 %. We will continue to document our energy savings measures and support our subsidiaries in establishing energy-saving programs.





## Climate Protection and Greenhouse Gas Emissions

### › Impact of Climate Change

Climate change is one of the greatest environmental challenges we face as a society. Companies also contribute to climate change by emitting greenhouse gases. We cannot yet assess the financial implications, risks and opportunities of climate change. Potential impacts on our activities include an increase in extreme weather events (storms, floods) that could pose a risk to our tank terminals and office buildings. Rising temperatures could lead to a decrease in demand, thereby decreasing heating oil sales. Stricter international regulations on marine fuels could increase the cost of product transports by ship. A further increase in fuel taxes could also have negative consequences for fuel revenues. In order to evaluate our own impact on climate change, we have calculated the carbon (CO<sub>2</sub>) footprint for the entire group. The following section contains detailed information on this.

### › Carbon Footprint

There are various methods of calculating the corporate carbon footprint. In accordance with the Greenhouse Gas Protocol (GHG Protocol), we define our carbon footprint as the total amount of the six greenhouse gases listed in the Kyoto Protocol, measured in tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>e), caused directly or indirectly by our company. The relevant greenhouse gases resulting from our operations are CO<sub>2</sub>, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). Other air pollutants such as nitrogen dioxide (NO<sub>2</sub>), sulfur dioxide (SO<sub>2</sub>) emitted by third-party shipping, or volatile organic compounds (VOCs) from our tank terminals, are measured separately.

### › Direct and Indirect Greenhouse Gas Emissions

Since 2010, we have calculated our corporate carbon footprint according to the GHG Protocol, by first determining reporting scopes for each company. To get a complete picture, we decided to include 100 % of emissions from all subsidiaries and joint ventures, only excluding those sites already mentioned in the section on energy savings.

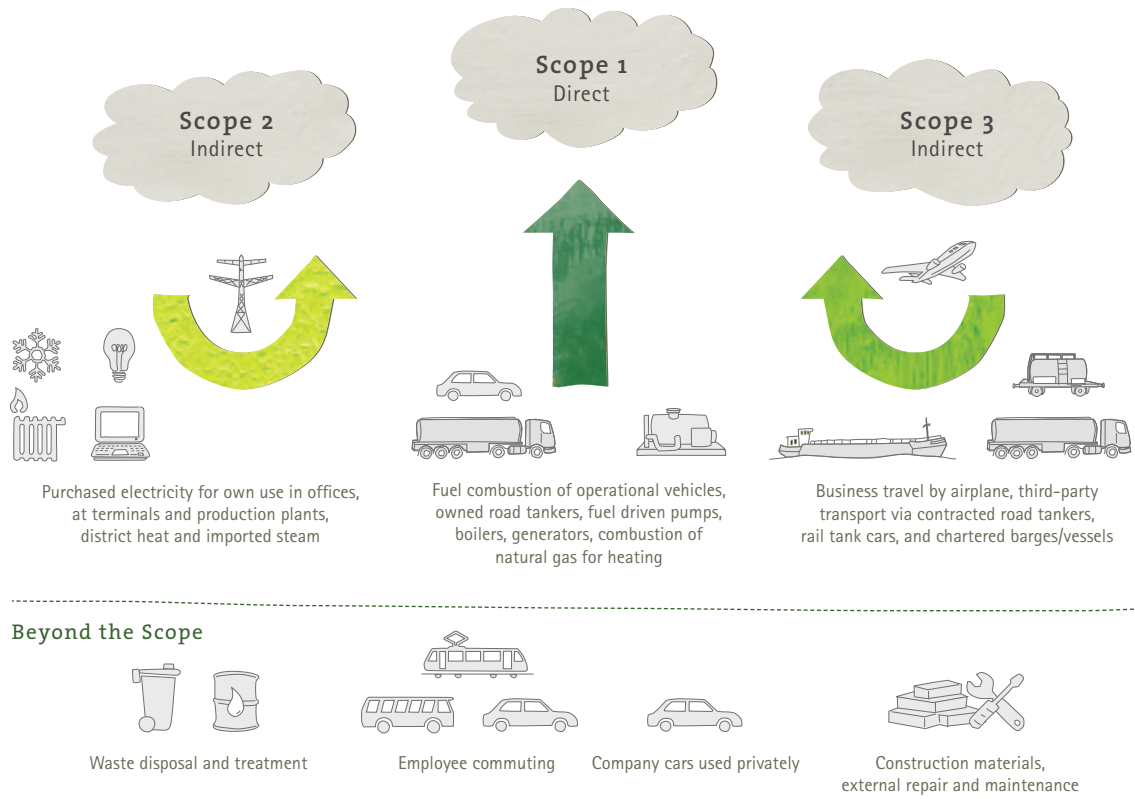


Fig. 11: Reporting scopes for greenhouse gas emissions at Marquard & Bahls

Direct emissions (Scope 1) arise from sources that are owned or controlled by Marquard & Bahls subsidiaries. Indirect emissions (Scope 2) originate from electricity, steam and district heating purchased and consumed by us. Emissions arising from third parties fall within Scope 3, where we have included emissions arising from the transport of fuel by third-party logistics companies, and from business trips by air. These represent the main sources in Scope 3. We have not included emissions arising from the production of building materials (e.g. steel for our storage tanks), the construction of facilities, or the energy used for waste removal, external recycling or treatment (see Fig. 11), as these should be reported by the respective suppliers and service providers. Nor have we included the emissions caused by our staff's commuting to and from work.





Ecological Responsibility



The greenhouse gas emissions were calculated using the latest Intergovernmental Panel on Climate Change (IPCC) emission factors and the GHG Protocol. The calculation was spot checked by Atmosfair gGmbH on the basis of data provided. In the case of emission factors for electricity, the energy mix of various countries was also taken into consideration. As the data collection and calculation of emissions from product transports turned out to be the most difficult part, we address this topic in a separate section. Transport-related emissions are shown in Fig. 12 and Fig. 13. In 2012, direct and indirect CO<sub>2</sub>e emissions amounted to 309,160 tons (455,863 tons in 2011). Our goal is to continually reduce our emissions, which we succeeded in doing last year in all three scopes. Due to the exit from the international trading business, Mabanaft chartered significantly fewer sea-going ships, which disproportionately decreased our Scope 3 emissions last year.



Fig. 12: Total CO<sub>2</sub>e emissions by scope

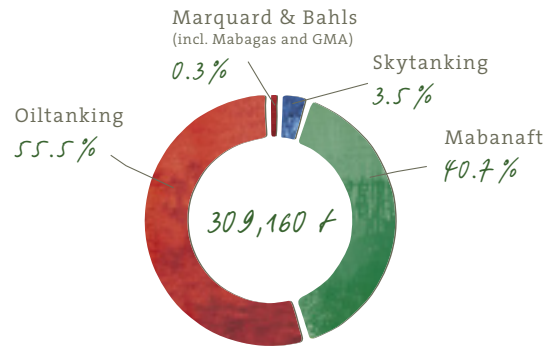


Fig. 13: Total CO<sub>2</sub>e emissions by company (2012)

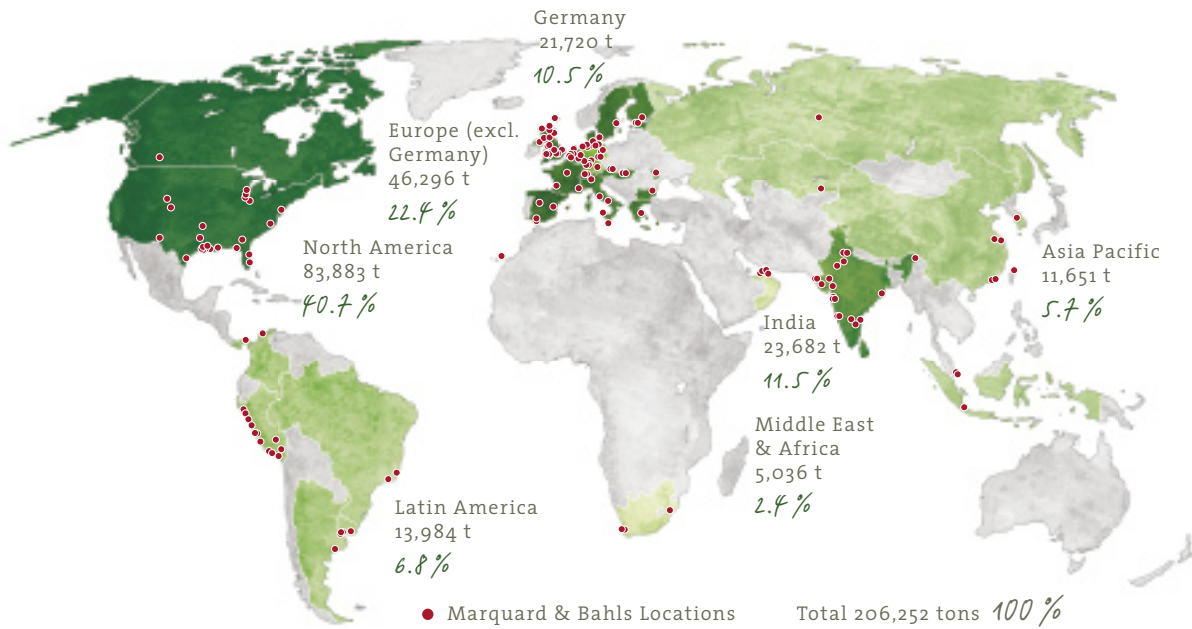


Fig. 14: CO<sub>2</sub>e emissions from Scope 1 and Scope 2 by region (2012)

› **Product Transport**

Marquard & Bahls subsidiaries use tank trucks, rail cars, barges and ocean-going tankers to transport their products. We try to identify and use the types of transport with the least impact on the climate. We calculate emissions from our own fleet of tank trucks under Scope 1, and emissions from service providers who transport our products under Scope 3.

To reduce emissions from our own tank-truck fleets at Petronord, Advance Fuels, and Thomas Silvey, our logistics policy is to invest in newer vehicles with energy-efficient engines and to carry out training programs for fuel-efficient driving. At OIL! Tankstellen, tank trucks from reputable third-party companies are contracted to deliver fuel to the approximately 250 OIL! service stations in Germany, Austria, and Switzerland.



## Ecological Responsibility

With regard to marine transport at Mabanaft, we have included emissions from chartered vessels, but not from vessels that were chartered by third parties, as these are beyond our sphere of influence. In 2012, Mabanaft chartered 104 seagoing tankers (136 in 2011), 1,468 barges (1,705 in 2011), 9,001 tank trucks (9,056 in 2011), and 877 rail cars (2,099 in 2011). When chartering ocean-going tankers, the energy efficiency of the ships is taken into account.

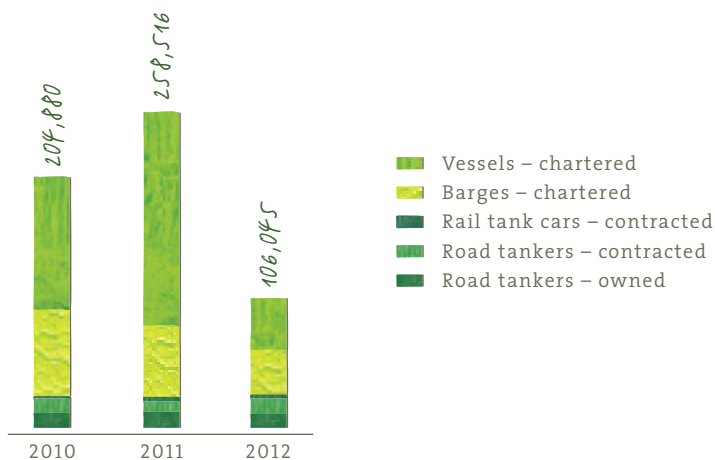


Fig. 15: Transport-related CO<sub>2</sub>e emissions by mode of transport

The annual CO<sub>2</sub>e emissions arising from the transport of our products are shown in Fig. 15. The decline in emissions from 258,516 CO<sub>2</sub>e in 2011 to 106,045 CO<sub>2</sub>e in 2012 (59 %) is due in particular to the fact that fewer vessels were chartered because of Mabanaft's withdrawal from international trading (Rotterdam and Houston sites). We place a clear focus on ship transport, as this is the most efficient mode. To calculate the CO<sub>2</sub>e emissions, emission factors were used – provided data on total consumption was available. For transport using third parties we chose the Ecological Transport Information Tool (EcoTransIT World) as the most informative and detailed procedure. The tool allows for quick calculation based on the cargo volume and the loading and unloading ports. EcoTransIT was developed by the Institute for Energy and Environmental Research (IFEU) in Heidelberg, the Öko-Institut (Institute for Applied Ecology) in Berlin, and the Ingenieurgesellschaft für Verkehr und Eisenbahntechnik (IVE mbH, Consulting Company for Traffic and Railway Engineering Ltd.) in Hannover.

### › Business Travel and Employee Commuting

Due to the international nature of our business, many of our employees travel by air. Our goal is to plan routes as safe and fast as possible and to keep air travel to a minimum. In 2012, employees of Marquard & Bahls and its subsidiaries flew 16,942 routes (14,463 in

2011) and circumnavigated the world 706 times (29,667,274 km covered). This represents an increase of 7.5 % compared to 2011 (657 circumnavigations), and correlates with the increase in the workforce between 2011 and 2012.

CO<sub>2</sub> emissions from air travel were calculated by Atmosfair gGmbH based on data made available by Marquard & Bahls. In 2011, the German Association of Travel Management (VDR) and Atmosfair gGmbH jointly developed a uniform standard for calculating emissions from business trips. Our emissions calculations are based on this method, which was adapted to reflect the realities of business travel at Marquard & Bahls. This comprehensive method takes into account the effects of different air pollutants at high altitudes, as well as the aircraft, engine types, and booking class. In 2012, group-wide emissions from air travel amounted to 8,900 tons of CO<sub>2</sub>e (8,031 in 2011).

We have not generally included company cars in our calculations, as they are mainly used privately. Only the company cars used by OIL! Tankstellen field staff are included in Scope 1, as these are used primarily for business purposes. The vast majority of our employees use public transport or private cars for their commute. To promote the use of public transport to commute to work, Marquard & Bahls subsidizes the cost of monthly public transport tickets in Hamburg. Also, as part of a subscription scheme for major customers, the annual ticket for different zones can be bought considerably cheaper than it can privately. Approximately 40 % of the workforce in Hamburg took advantage of this offer last year.

Another measure to reduce CO<sub>2</sub>e emissions from travel is the increased installation of video-conferencing systems. In 2012, we installed additional video conferencing systems at the Marquard & Bahls headquarters in Hamburg, at Bomin and at regional Oiltanking offices in Argentina, Dubai, India, Singapore, and the U.S., which can also be dialed up using mobile devices. This option is being used more and more, especially within the U.S. and for transcontinental talks.

### › Other Emissions

Aside from volatile organic compounds (VOCs), our activities do not cause significant emissions of nitrogen oxides, sulfur oxides or ozone-depleting substances, which are mainly emitted during cooling or flaring processes.

VOCs at our tank terminals are mainly produced through evaporations from tanks (tank breathing) and during loading and unloading. VOC emissions should be minimized because of their adverse effects on health and the environment. For this reason, internal floating roofs have been installed on the vast majority of tanks containing volatile products. The floating roofs prevent evaporation by covering the surface of the liquid. Other techniques used by Oiltanking to reduce emissions are vapor balancing, vapor treatment, and vapor recovery systems, which have been installed at many sites.



## Ecological Responsibility

The emission of VOCs is currently calculated locally at 18 Oiltanking sites and was down significantly year-on-year to 694 tons in 2012 (1,162 tons in 2011). The data is based on complex calculations, as the emissions are highly dependent on various factors such as the vapor pressure of the product, the size of the tanks, the paint/insulation, the average ambient temperature, and the efficiency of the vapor recovery system. To further improve the evaluation of VOC emissions, a special infrared gas detection camera has been purchased for the European tank terminals, which makes it possible to detect escaping VOCs. In this way, even the smallest gas leaks can be identified and repaired, further minimizing emissions.

Since ships often use sulfurous bunker fuel, transport via ship generates significant amounts of nitrogen oxides (NO<sub>x</sub>) and sulfur oxides (SO<sub>x</sub>). NO<sub>x</sub> and SO<sub>x</sub> can significantly contribute to environmental problems such as acidification, eutrophication (nutrient enrichment) and summer smog, and are among the substances that are toxic for humans. In 2012, chartered ships emitted 1,410 tons of nitrogen dioxide (NO<sub>2</sub>) (4,284 tons in 2011) and 825 tons of sulfur dioxide (SO<sub>2</sub>) (2,442 tons in 2011). These figures are based on the IFEU EcoTransIT method, which was also used to calculate the CO<sub>2</sub>e emissions caused by third-party transport. In addition, 78 tons of non-methane hydrocarbons (NMHC) (238 tons in 2011) and 99 tons of particulate matter (PM) (234 tons in 2011) were emitted during the marine transport of products.

### › Noise Emissions

Noise can have a negative impact on the working environment, local residents, and wildlife, so our goal is to minimize noise production wherever possible. Potential sources of noise are pumps, generators, and industrial vehicles. Noise prevention can be achieved through better maintenance and shielding, but also by replacing aging equipment. Apart from this, noise protection is part of the mandatory personal protective equipment in the event that specified noise limits are exceeded.

### › Wood Pellets

Since early 2011, the Mabanafit Deutschland portfolio has included wood pellets. Burning wood for energy is CO<sub>2</sub>-neutral and therefore has less impact on climate change than fossil fuels as it only emits the CO<sub>2</sub> that was previously stored in the tree. Also, small amounts of emissions are caused by its production and transport. We primarily offer premium wood pellets internationally under the celsico® brand as well as other biofuels. In each sales market our products meet the highest quality standards, such as the DINplus/ENplus certification for celsico®premium pellets.

### › Biofuels

In 2006, OIL! Tankstellen became the first service-station operator in Germany to offer biofuel with an 85 % bioethanol content, in cooperation with CropEnergies AG. However, its introduction has proved difficult due to a continued low uptake among customers and high pressure on margins, which is why only twelve service stations offered this niche product in 2012.

In addition, the introduction of compressed biogas (Bio-CNG) is being pushed forward at selected OIL! service stations in Germany. Bio-CNG supplied by Mabagas is made entirely from residual and waste materials and was available at six OIL! service stations in 2012.



#### FOOD VS. FUEL DILEMMA

This common phrase refers to the competition for the use of agricultural land. The increased use of space and water for cultivating high-energy plants from which fuel is later obtained can lead to a lack of availability of farmland for – or exorbitant rise in prices of – food crops, which can lead to hunger among those who are dependent on these foods. In our production of biofuels we therefore focus on the production of biogas from organic waste and residuals.



### › Production of Biogas

Mabagas's business objective is to realize biogas projects to produce energy from organic waste and residual substances, in the German and international markets. The biogas plant in Namakkal, Tamil Nadu, India took up operations in December 2012, and was officially inaugurated on January 26, 2013. As a result, the first biogas plant operated by Mabagas's Indian subsidiary is now officially connected to the local grid. The IOT Mabagas plant, a joint venture by Mabagas and IOT, was built in close cooperation with IOT's EPC unit. It is a single-stage wet fermentation plant with a total volume of 16,000 m<sup>3</sup>. During regular operation, about 8 million m<sup>3</sup> of biogas can be generated per year with the existing capacity and then converted into electricity using two cogeneration plants of 1.2 MW (el) each. The plant only uses organic waste material such as dry chicken manure and agricultural waste. The fermentation residues produced in the process are separated, dried in the sun and then used as fertilizer on the surrounding farmland.

In June 2012, Mabagas took over the biogas plant in Bardowick, Germany. Connected to the power grid since 2007, it specializes in recycling organic waste from the agro-food industry. The delivered waste material is separated from the packaging, isolated, and the organic matter is fermented.



Mabagas took over an existing biogas plant in Bardowick near Lüneburg in 2012

### › Carbon Capture

We are aware that petroleum products have an impact on the environment, and therefore work to develop alternatives and to improve energy efficiency. We have introduced an option for customers who are willing to contribute to the protection of the environment through carbon capture. Our subsidiary B.W.O.C. has set up a program that offers customers with a fuel card the ability to offset emissions from fuels they have purchased by making a contribution to reforestation projects. In any case, 10 % of the emissions bought with a B.W.O.C. fuel card are offset in carbon capture projects, paid for by B.W.O.C. Customers can decide whether they want to pay extra to capture an additional 50 % or 90 % of the CO<sub>2</sub>.

Under the program, nearly 100,000 trees have been planted at four sites in the U.K. – Harperrig reservoir in West Lothian, Stonebyres, Barr Farm and Haywood – since September 2010. As part of the overall project, B.W.O.C. calculates its own carbon footprint and captures this CO<sub>2</sub> through reforestation.



In 2012, an area with few trees near Haywood, Dorset was planted with a mix of Douglas fir, Western Red Cedar, spruce, oak and ash. Another area reforested by B.W.O.C. is Barr Farm, Sanquhar, in Midlothian, Scotland

### › Further Climate Initiatives

In 2008, Mabanafit, Petronord, and OIL! Tankstellen launched the "Pro Klima Initiative" program. Its efforts focus on three areas: offering energy-efficient products; advice on environmental and energy issues; and promoting projects to protect the climate. Its projects concentrate on two activities – climate research and reforestation. In collaboration with the Schleswig-Holstein State Forestry and Schutzgemeinschaft Deutscher Wald e. V. (German Forest Protection Association) 125,000 trees have already been planted in recent years.





## Ecological Responsibility

Besides producing oxygen and capturing CO<sub>2</sub>, forests improve the water storage capacity of the soil, prevent erosion, and are home to a great diversity of plants and animals. The sustainable cultivation of the areas is ensured by the German Federal Forest Act and by participation in the leading forest certification systems of the Program for Endorsement of Forest Certification Schemes (PEFC) and the Forest Stewardship Council (FSC).

In April 2012, employees of the scheme's initiators planted a new forest at Weyhe in Lower Saxony together with their families and customers



In 2012, the "Initiative Pro Klima" program hosted an ideas competition for all employees of Marquard & Bahls AG and its subsidiaries in Germany. The aim was to raise staff awareness about sustainability while generating ideas for environmental protection and energy conservation, and to put them into action wherever possible. The top three ideas from a total of 34 submissions were awarded prizes and communicated in-house in December 2012. The implementation of the winning ideas is currently being reviewed in the departments and some of them are being integrated in the plans for the upcoming construction of the new headquarters in Hamburg's HafenCity.

### › Carbon Trading

Since late 2009, Mabanft Carbon has developed climate protection projects as part of the Clean Development Mechanism Development (CDM) and in the "Program of Activities" (PoA) in accordance with the United Nations Kyoto Protocol, in order to trade carbon certificates. In recent years, a substantial project portfolio relating to energy efficiency and renewables has been built up that has largely been approved by the United Nations and is therefore accredited for the European carbon emissions trading system. The project activities take place in various countries in Latin America and in South Africa, Kenya, India, and Vietnam.

### Conserving Natural Resources

#### Water

Essentially, our activities do not require a high level of water consumption. At our tank terminals, we use fresh water for cleaning tanks, heating products, hydrostatic tank testing, and the sanitary facilities in the offices. In 2012, the group's water consumption amounted to a total of 651,897 m<sup>3</sup> (682,277 m<sup>3</sup> in 2011), mainly drinking water (64.1 %) and industrial water (26.4 %) (Fig. 17).

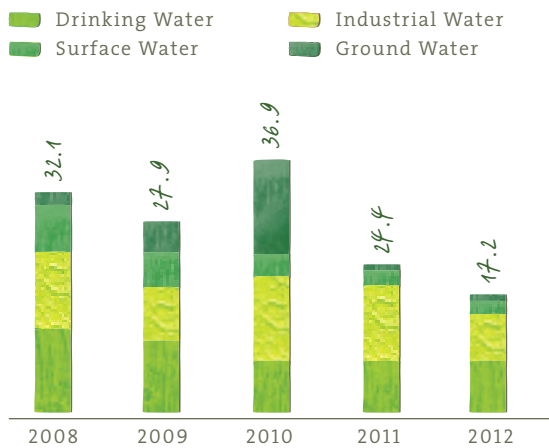


Fig. 16: Water consumption per capacity (l/m<sup>3</sup>) for tank storage activities

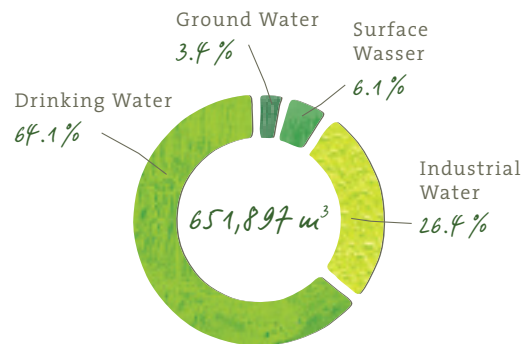


Fig. 17: Total water consumption by source (2012)

In 2012, relative water consumption in our tank storage activities per m<sup>3</sup> of storage capacity (Fig. 16) fell 29 % year-on-year to 17.2 l/m<sup>3</sup> (24.4 l/m<sup>3</sup> in 2011). This continued the steady reduction in water consumption seen over the past five years, with the exception of 2010 when there was a peak in water consumption due to simultaneous hydrostatic tests required for several newly built tanks. The groundwater used was returned to the water cycle after the appropriate analysis.



We are stepping up our efforts to reduce water consumption, and have therefore incorporated water management into Oiltanking's energy-saving program. Areas where water consumption can be minimized include tank cleaning, vapor production in boiler operations, and sanitary facilities. We are also examining the possibility of replacing the drinking water currently used for industrial activities with rainwater, and recycling our cleaning or cooling water. At OIL! Tankstellen, old carwashes are successively being replaced by water-saving models. The "Waste Management" section contains information on the disposal of wastewater and the use of chemicals in carwash facilities.

### › Consumption of Materials

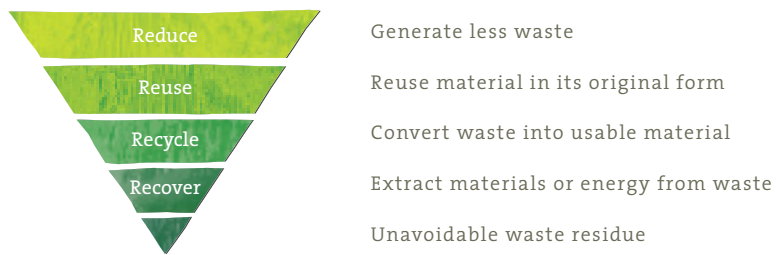
Efficient use is not only a priority in the consumption of water and energy, but also applies to construction and production materials. Apart from the building materials and technical equipment required for the construction or expansion of tank terminals and aircraft fueling systems, our business is not material-intensive. We do not currently measure the use of materials in these areas.

Our biogas plants use residual materials from the agro-food industry and leftovers that have been designated as waste for disposal by producers. From our perspective, however, it represents a substrate for gas production and thus a commodity. The relevant indicators here are the amount of substrate used, the volume of packaging materials and impurities filtered out which are then partly recycled and partly thermally utilized, the fermentation residues obtained during fermentation, which are then rendered for agricultural reuse as fertilizer, and the amount of power generated. Our biogas plant at Bardowick near Lüneburg, which has been in operation since April 2012, recorded 16,581.6 tons of substrate, 2,115.5 tons of sorted and recycled packaging material, 24,810 tons of fermentation residue and 6,555,706 kWh of electricity. There is no representative data for our biogas plant in Namakkal (India) for 2012, because it only went into trial operation in December 2012.

Regarding the use of other materials such as paper in offices, we try to use recycled material and material from renewable and raw materials produced in an ecologically compatible manner.

## Waste Management

We encourage our employees around the world to produce as little waste as possible. Our basic principle of waste management is based on the "4 Rs": reduce, reuse, recycle and recover.



We record industrial waste (e.g. metals, packaging) and hazardous waste (e.g. product remnants, separator residues), which require special treatment and must be disposed of separately. Most of the hazardous waste at our plants consists of contaminated water from oil-water separators, and residues from tank cleaning. It is collected and processed by us or by licensed contractors. The proportion of office waste is comparatively low and is therefore not recorded globally. However, we promote paperless offices and waste separation.

Total waste generated in 2012 amounted to 29,348 tons. Compared to the previous year (42,289 tons in 2011) this represents a decrease of 31 % (Fig. 18). It is important to note that a large part of this overall waste reduction resulted from a significant decline in tank cleaning, which our tank storage customers often demand and which is therefore difficult to plan for. In 2011, an exceptional number of tank cleanings were performed, so the total amount of waste at Marquard & Bahls was significantly higher in 2011 than in the previous year. Adjusted for this, a reduction of almost 16 % was achieved in 2012.

The total waste in 2012 is composed of approximately 43 % industrial waste and 57 % hazardous waste. This ratio was similar to that of the prior year. Most of the industrial waste is recycled.

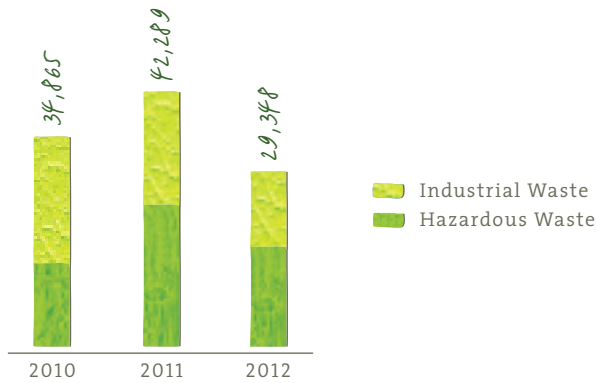
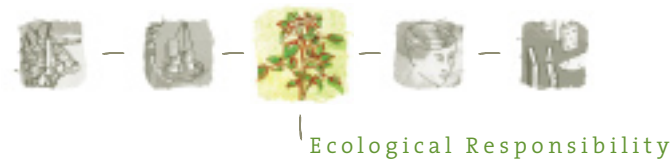


Fig 18: Total waste by type (in tons)

Our tank storage activities saw a considerable (33 %) reduction in the ratio of hazardous waste in relation to total storage capacity from 2011 ( $0.39 \text{ kg/m}^3$ ) to 2012 ( $0.26 \text{ kg/m}^3$ ). As the aforementioned tank cleaning mainly affects the incidence of hazardous waste, 2010 is to be used as a comparison year in this analysis as well, which indicates that there was in fact a 13 % relative increase in hazardous waste ( $0.23 \text{ kg/m}^3$  in 2010).

### › Wastewater Treatment and Disposal

All of our service stations and more than 80 % of our tank terminals use oil-water separators or complex wastewater treatment systems to process wastewater. Samples are regularly taken to monitor the functioning of the wastewater treatment and to ensure that safety values are adhered to. At some tank terminals, gravity oil/water separators are combined with coalescing filters, skimmers, activated charcoal filters, or strippers to fulfill all requirements. After treatment, the water at Oiltanking is mostly disposed of in the surface water, and discharged into the public sewerage system at OIL! Tankstellen. The total amount of industrial wastewater discharged in 2012 was  $709,321 \text{ m}^3$  ( $702,663 \text{ m}^3$  in 2011). This figure includes the rainwater collected from the tank pits, so there are meteorological fluctuations. Residues from the wastewater processing are classified as hazardous waste, and are pumped by vacuum trucks, treated by external companies, and usually recycled. At OIL! service stations, the use of chemicals in carwash units is carefully monitored and kept to a minimum.

At our newly acquired dry bulk terminal in Davant, where coal and petroleum coke is stored, large amounts of rainwater are collected and discharged into public drainage channels after their pH is automatically monitored, and improved as needed. These quantities of water are not included in our statistics.

## Biodiversity

Humankind threatens biodiversity in a variety of ways. Habitat destruction, over-exploitation, introduction of alien species, and climate change are just some of the reasons for the decline in biodiversity. Industrial usage can also influence or diminish biodiversity in many ways. In our core business, we potentially impact biodiversity through the construction of new tank terminals and through the production of VOC emissions.



### BIODIVERSITY

Biodiversity – or biological diversity – is found everywhere on Earth. The term encompasses the diversity of species as well as genetic diversity and the diversity of ecosystems. Certain areas of the tropics, oceans and forests, for example, have a particularly high density of species, ecosystems and genetic diversity. Biodiversity is an existential basis for human life. There are countless ecological, economic, social, and ethical reasons to protect and preserve biodiversity.

Our HSSE management system mandates a site-specific environmental assessment prior to the construction of new tank terminals and major expansions, even where this is not required by law. This includes a careful assessment of the direct and indirect impact on biodiversity.

As a preventive measure, the groundwater is checked monthly at all Oiltanking tank terminals. The data obtained in this way is analyzed centrally by environmental experts.

We currently have no operations in regions designated as protected areas by the International Union for Conservation of Nature (IUCN). However, some of our sites are near regions of high biodiversity value, such as near Paracas National Park, Peru, where we operate a maritime platform owned by an industrial consortium for the transshipment of diesel, naphtha and liquefied petroleum gas (LPG). As most of our sites are located in industrial areas, we have not carried out any renaturation measures to date.



# Social Responsibility

In a globalized world with fast-changing markets, motivated and dedicated employees are an important competitive advantage. To not only find employees who are actively committed to the company's success, but also to retain them, it is important for a company to take its social responsibility seriously. A low staff fluctuation rate has a positive impact on a company's stability.

Our philosophy – independent, sound, individual – is reflected in our corporate culture, which is accompanied by a high level of employee motivation and strong identification with the company. We meet our social responsibility by offering outstanding working conditions as well as specific opportunities for further training and qualification.





Our company's strong growth presents the Human Resources (HR) department with a number of challenges. Ten years ago, Marquard & Bahls employed about 1,500 people worldwide; today, it counts over 8,500 employees. This multiplication of the headcount makes processes more complex, but also opens up numerous opportunities for leveraging synergies to improve the efficiency of our global operations. We see the HR department as a strategic partner to the business divisions: it supports the development of our company. Key components in our HR management that serve to safeguard our growth strategy include the meticulous selection of suitable candidates, the systematic qualification of our employees, and the provision of a wide variety of development opportunities. This secures our employees' long-term commitment to our company.

In 2012, we had an average of 8,560 employees (7,750 in 2011), including employees at partly consolidated and associated companies. The vast majority is employed on the basis of full-time contracts. In recent years, the number of industrial as well as office employees has increased steadily. 66 % of employees work in the operations side of the business. The section on Equal Opportunity contains a breakdown by gender.

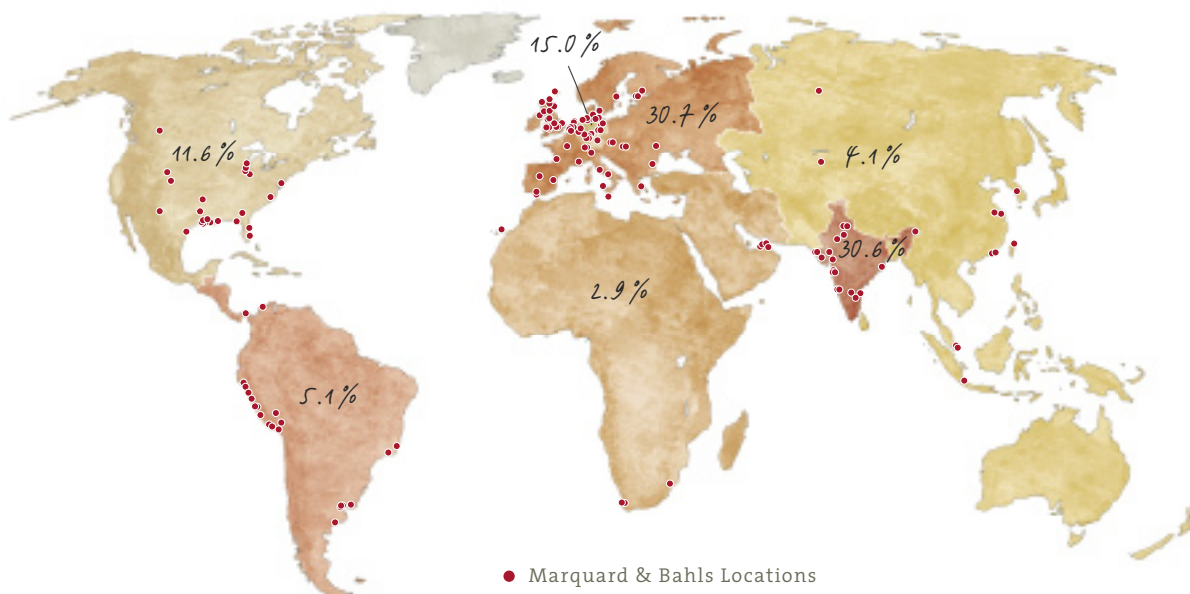


Fig. 19: Employees by region (2012)

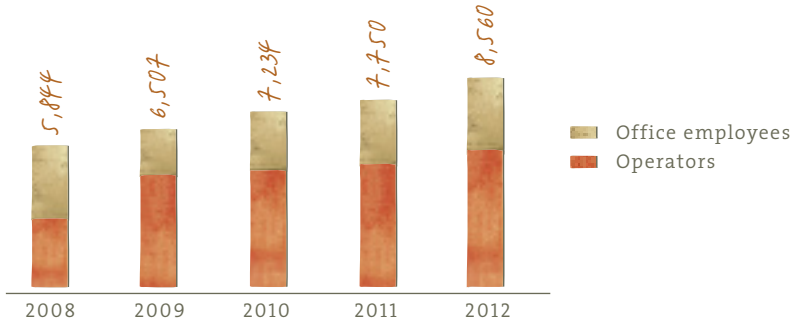


Fig. 20: Average total number of employees per year

› Employee Turnover

Fluctuation in a company's staff leads to changes in its human and intellectual capital. Based on GRI definitions, we define staff turnover as the number of employees who left the company during the reporting period either voluntarily or due to dismissal or retirement, in relation to the average number of employees during that period.

During 2012, 1,790 out of 8,560 employees left the company, representing a turnover rate of 20.9 % (17.6 % in 2011). In Germany, 105 employees left the company, 15 % at their own request, 51 % as a result of layoffs, 16 % due to expiring contracts or retirement, 10 % by mutual agreement, and 8 % for other reasons. In the future, we plan to provide detailed information on the reasons for staff leaving in the other countries where we have operations, too.



By company (Fig. 21), the highest turnover was at Mabanraft (28.0 %). This is mainly due to the withdrawal from international trading and the generally higher employee turnover seen at Tirex filling stations in Moldova. Marquard & Bahls AG (incl. Mabagas and GMA) had the lowest turnover (9.7 %).

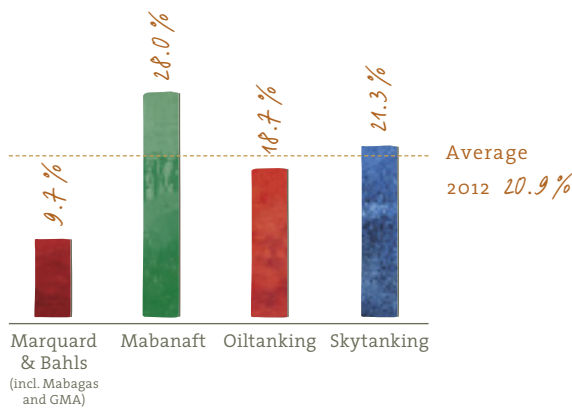


Fig. 21: Staff turnover by company (2012)



By region (Fig. 22), North America had the highest turnover rate (26.9 %) in 2012 as well as in 2011, although the latest result represents a year-on-year reduction of almost 20 %. The regions India (25.2 %) and Middle East & Africa (24.8 %) were also above the annual average. In these regions, the high turnover rate is primarily the result of employees leaving the company at Skytanking due to seasonal variations and a generally volatile labor market. Our locations in Latin America reduced staff turnover by almost half to 9.9 %.

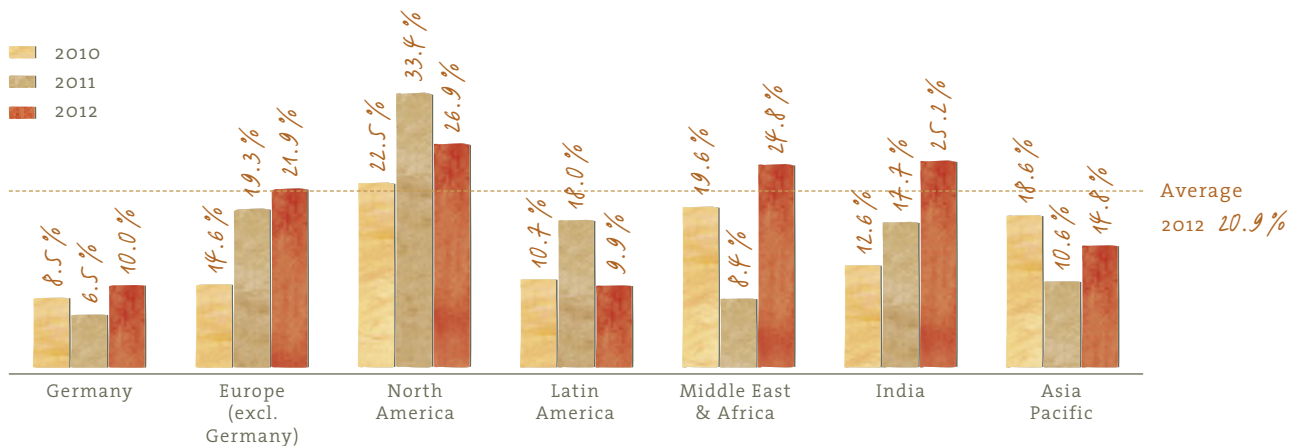


Fig. 22: Staff turnover by region

#### › Absentee Rate

The absentee rate results from days absent in relation to the absolute number of days staff should have worked. For 2012, the overall absentee rate was 1.5 % (2.0 % in 2011), which is a low value compared to other companies in our industry. For the German sites, the absentee rate has been evaluated for several years. In 2012, there was a slight increase to 4.6 % (4.4 % in 2011). We see this still relatively low value as a positive indication of the health and satisfaction of our employees.

#### › Employee Satisfaction

Local assessments and surveys are conducted to review employee satisfaction. In 2012, too, all sites carried out employee surveys in paper or electronic form, or through formal appraisal interviews. In 2012, we also began to centrally collect and analyze the results of the locally conducted surveys. However, a representative analysis is not yet possible.

## Health & Safety

Health and safety are important values at our company. We continually optimize all areas of our subsidiaries with regard to technical, organizational and behavioral safety, and promote a proactive safety culture. One important measure is the creation of comprehensive HSSE manuals specifically tailored to the respective companies. Based on these manuals, sites are called on to develop appropriate management systems at local level. Another important tool that helps us to learn from accidents is our global incident-reporting system. To prevent accidents and/or their reoccurrence, all incidents and near misses are carefully reviewed and analyzed. If necessary, HSSE alerts are distributed worldwide to be displayed on HSSE bulletin boards and discussed with employees. We have a system of regular internal HSSE audits at Oiltanking and Skytanking to monitor compliance. Detailed HSSE statistics with "leading" (forward-looking) and "lagging" (retrospective) KPIs are prepared for each Oiltanking and Skytanking site.

### › Workplace Accidents

In 2012, there were 53 accidents across the group that resulted in lost workdays (67 in 2011), of which 50 incurred during business operations. These accidents resulted in a total of 952 lost workdays (1,464 in 2011). Absences due to commuting accidents or non-work-related illnesses are not included.

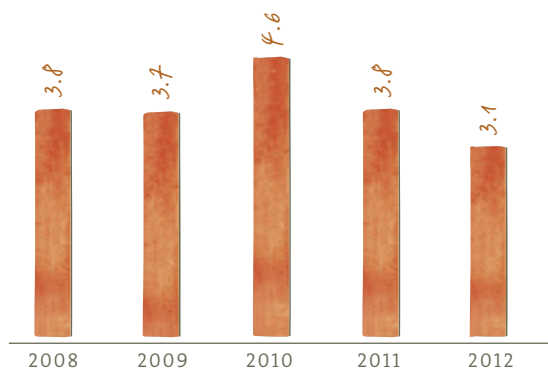


Fig. 23: Number of accidents resulting in lost workdays per 1 million hours worked at Marquard & Bahls

Another 32 accidents involved the employees of contracted third-party companies. Two of these that occurred during construction work on our company premises in Houston (U.S.) and Terneuzen (the Netherlands) tragically resulted in three fatalities. Marquard & Bahls deeply regrets these incidents. Although neither of these accidents were related to our business activities, we will further tighten our selection process for contractors and are currently developing expanded, worldwide evaluation criteria for Oiltanking's contractors.



The HSSE & Corporate Communication department is currently developing an integrated Contractor Safety Management Program that defines standardized minimum requirements and makes recommendations for contractor management that go beyond these requirements. The aim is to harmonize company-wide internal regulations and better establish practices.



The relative frequency of accidents that resulted in lost workdays was significantly reduced over the past year, and amounts to an average 3.1 per 1 million working hours worldwide. This corresponds to a 37 % year-on-year reduction (3,8 in 2011, see Fig. 23). Viewed by region (Fig. 24), it emerges that the relative frequency of accidents has decreased across all regions. We see this as a positive result of our proactive approach to HSE management. Only Germany and Europe are clearly above the average at 7.8 and 7.0 – despite considerable improvements – so we will continue to focus our efforts on these regions. By the end of 2013, we want to achieve a 10 % year-on-year reduction in the relative frequency of accidents resulting in lost workdays.

We define the severity of accidents based on the average number of lost workdays per incident. Across the group, the average severity of accidents in 2012 was 18 lost workdays per accident (21.85 in 2011). This represents a reduction of nearly 18 %.

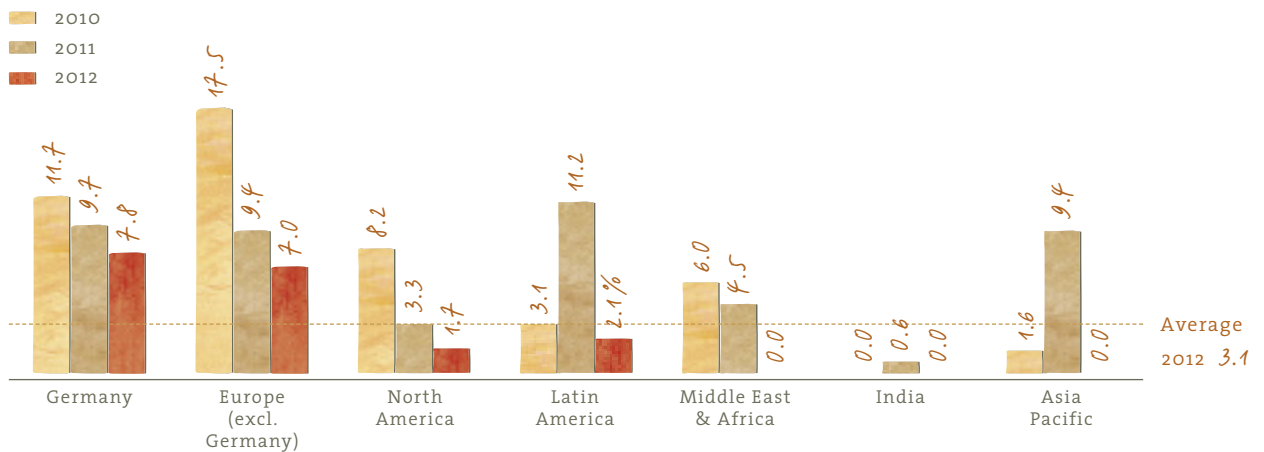


Fig. 24: Number of accidents involving employees resulting in lost workdays, per 1 million working hours, by region

### › Fires & Explosions

Past incidents in our industry have shown that technical measures, organizational processes, and rules of conduct are not always sufficient to prevent fires. Oiltanking has therefore prepared a mandatory Fire Protection Standard consisting of 72 requirements that often go beyond legal requirements.

Nevertheless, in 2012 there were 13 small fires and three explosions (ten fires and one explosion in 2011), which were mostly in connection to construction and other non-operating activities at our tank terminals. Altogether they resulted in 59,500 euros of damage (31,000 euros in 2011). Although almost all of these were small-scale fires that were quickly extinguished, it still means that we have not yet achieved our goal of eliminating fires and explosions wherever possible. It goes without saying that we will continue to pursue this goal in the years ahead.



### › HSSE Award

To honor our staff's efforts to work in a safe and environmentally friendly manner, an HSSE award was initiated at Oiltanking in 2008. The indicators taken into account are accidents, fires & explosions, product spills, product contaminations, material damages, and reporting (quality, timeliness, and near misses). Each year, one profit center receives an award for "Best HSSE Performance", and another is presented with the "Best HSSE Improvement" award. In 2012, Logística de Químicos del Sur (LQS) in Peru won the Golden Lighthouse for Best Performance, while the White Lighthouse for Best Improvement went to Oiltanking Copenhagen, Denmark.

### › Duty of Care

Many of our employees travel frequently as part of their work for Marquard & Bahls. Travel safety is therefore an important issue on our HSSE agenda. In order to provide the best medical advice and services for employees on their travels, as well as for expats, Marquard & Bahls has signed a membership agreement with International SOS, the leading provider of medical assistance, international healthcare, and security services.

To support our employees in planning international business trips, there is a group-wide Travel Safety Manual and a web-based airline vetting database, which is updated daily.

With regard to medical care, most employees based in Germany are entitled to a free preventive medical check-up every three years. The senior management of all sites worldwide is offered a full medical check-up every two years at a specialist clinic in Hamburg. Profit centers are encouraged to develop programs for carrying out regular health checks for their employees locally. In 2012, free medical check-ups were organized by more than 60 % of our locations worldwide.



## Education & Training

Education and training is an important pillar of our success. Due to demographic change and our company's rapid growth, it is becoming more and more challenging to find qualified staff. To ensure that the right people are available at the right places at the right time, promoting the expertise and talent of our employees is a high priority. Therefore our aim is to further expand and systematize our advanced training programs.



### › Staff Development

We see it as our responsibility to support and advise our employees in their development, and address their individual needs with workshops and training courses on a wide range of topics.

Our executives are offered international management development programs carried out by a team of internationally experienced external coaches with extensive experience. Here, cooperation and networking at group level is a priority. In 2012, 44 employees participated in these international training programs.

### › Trainee Programs

The training of junior staff is another important element in our human resources development. Our trainee programs provide an opportunity to learn about our company and all its facets and come to understand its values and culture. In Germany, we also offer dual-mode study degree programs in business administration and industrial engineering, in cooperation with the Nordakademie, Elmshorn. Students receive solid professional training in alternating phases of theory and practice. Another important component of junior staff development is the traditional vocational training that we already offer at various subsidiaries, and which we will expand further in 2013. Interns also have an opportunity to experience working life in our group.



Since our aim is to offer everyone who has completed their training a place in our company, we train in accordance with our own staff requirements. In 2012, 14 Nordakademie students and 21 trainees were in training at Marquard & Bahls and its subsidiaries (15 Nordakademie students and 20 trainees in 2011).

### › Career-long Learning

In addition to these tailor-made programs, we also support the professional and personal development and career-long learning of our employees by offering training in the form of in-house and external seminars and conferences. These range from IT seminars and

language classes to workshops on topics like intercultural communication and stress management. In 2012, in Germany alone we invested about 175,700 euros in language lessons and advanced training seminars (66,000 euros excluding language lessons in 2011).

#### › Comprehensive HSSE Training

Our company HSSE Policy (Health, Safety, Security & Environment) requires that all employees receive training and job-specific education. This includes training in dealing with risks associated with products handled and stored at our sites. New employees are instructed on HSSE issues before starting their work. When employees or contractors need to perform specific tasks, they receive specific training. At OIL! Tankstellen a comprehensive training video was produced covering all aspects of HSSE at service stations and providing practical guidelines on meeting requirements. The video was made available to all station partners.

At Oiltanking and Skytanking a total of 272,467 HSSE training hours were completed (258,941 in 2011). For example, at Oiltanking in 2012, all employees in the operational area received an average 76 hours of HSSE training.

#### Labor Standards

We abide by the Universal Declaration of Human Rights and the United Nations (UN) protocols, protecting human rights within our sphere of influence. Compliance with the standards of the International Labour Organization (ILO) is laid down in our Code of Conduct.

We ensure strict adherence to employee rights. Freedom of association and the right to collective bargaining are respected and guaranteed. Our employees are organized in trade unions in different countries, including Argentina, Belgium, France, the Netherlands, and Malta. In the event of operational changes, we work closely with the relevant social partners.

#### › Working Hours

We do not use any specific, internationally applicable instruments, guidelines or standards to regulate or monitor working hours. For our office employees in Germany, we apply the "trust-based working hours" principle. The worldwide average working week on a full-time contract is 40 hours, with 24 vacation days usually granted per year. For our industrial staff members who work in shifts, working hours and vacation days are tailored to local requirements.





### › Remuneration Policy

As described under "Fair Remuneration" we pay competitive salaries combining fixed and variable components. The Marquard & Bahls Code of Conduct specifies that salaries are regulated based solely on qualifications, performance, and other work-related factors such as responsibility, skill, and experience. Factors such as gender, age, race, religion, marital status, or disability have no influence on salaries.

In addition to the base salary, we voluntarily offer comprehensive supplementary benefits, which are calculated on the basis of the basic salary. These supplementary benefits are partly dependent on performance. Employees of various subsidiaries participate directly in the company's success through individual, performance-based bonus payments.

### › Pension Provisions

The state pension is one of the main pillars of retirement arrangements, but it rarely fully covers people's financial needs in old age at this point. At Marquard & Bahls, we care about our employees' future, so we offer additional pension schemes in most of the countries we operate in. This voluntary contribution to retirement provisions was introduced shortly after the founding of our company in 1947; the benefits of this pension plan were based on length of employment and salary. In order to better predict company pension expenses, in Germany this pension plan was replaced in 1985 by a plan that specifies contributions to a company pension scheme. Only Belgium, the Netherlands, and the United States still have plans that define fixed benefits. The current liabilities of these company pension schemes amount to 36 million euros. Since 1985, the company pension in Germany and most European countries is based on plans with defined contributions, often administered by an external provider.

### › Child Labor & Forced Labor

Due to the high degree of specialization required from our employees, we can rule out the risk of child labor in our company. A review of our supply chain yields a similar picture, as most of our business partners and customers need specialist staff for their operations (e.g. oil industry or chemical companies), are leaders in corporate social responsibility (CSR), and publish social KPIs in their sustainability reporting.

We continue to have no significant risk of forced or compulsory labor at any of our subsidiaries. To underline our attitude towards preventing forced, compulsory and child labor, and to raise awareness among workers and contractors alike, the issue is covered in our Code of Conduct. As no such incidences have been reported to date, we do not have any specific programs in place.

**INTERNATIONAL LABOUR ORGANISATION – ILO**

At the World Summit on Social Development in Copenhagen in 1995, the international community called for universal social rules to manage globalization. The “ILO Declaration” is one consequence of this. To date, over 120 ILO member states have ratified the relevant conventions.

The four core principles of the ILO are:

- Freedom of association and the right to collective bargaining
- Elimination of forced labor
- Abolition of child labor
- Elimination of discrimination in employment and occupation

**Equal Opportunity**

We see diversity – not only in our lines of business but also among our employees – as a key to our success. We aim to further increase diversity within our company by employing both male and female employees from many different cultures. At our companies in Germany, we employ people from 26 nations; 2.2 % of our employees have severe disabilities (2.7 % in 2011).

All employees can anonymously report cases of discrimination, harassment or other violations of the Code of Conduct to the Compliance Team at any time. In 2012, no incidents were reported.

Although the oil and energy sector is still overwhelmingly male-dominated, more and more women are deciding to pursue a profession in our industry. In 2012, the share of female employees was 14 % (see Fig. 25), representing a further increase over the two prior years (13 % in 2011, 12 % in 2010). More men than women still apply for technical positions. When recruiting junior employees, the Human Resources department tries to maintain a balance between male and female candidates. As employees are selected based on their capabilities for the specific position, we take a controversial view of the women's quota currently being discussed.



Social Responsibility

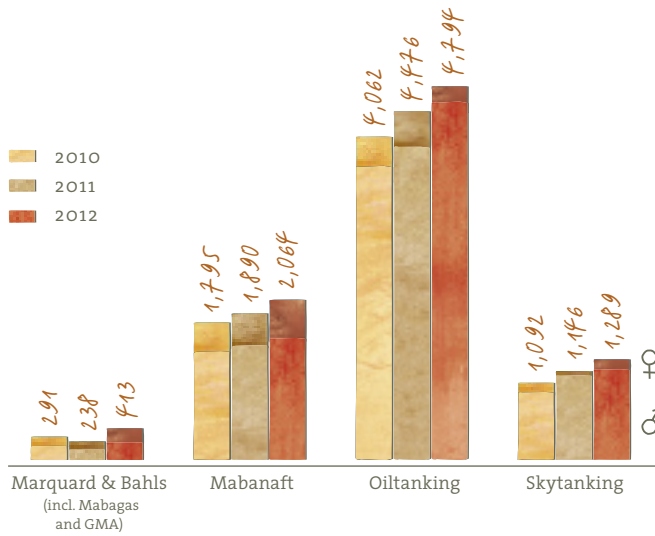


Fig. 25: Employees by company and gender

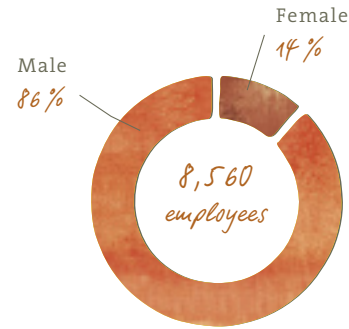


Fig. 26: Employees by gender in fully consolidated and associated Marquard & Bahls companies (2012)



As the proportion of women in management at our subsidiaries is only 3 %, we are intensifying our efforts to find female candidates here. In 2012, we managed to do this in two cases: the position of Head of HR at Marquard & Bahls in Hamburg, and of CEO Oiltanking North America/CEO Oiltanking Partners in Houston in the U.S. have been occupied by women since 2012.

As we have no standardized hiring procedures at group level, due to our decentralized management structure the majority of employees and managers at our subsidiaries are recruited locally. At subsidiary level, 67 % of the management are from the respective country itself (see Tab. 2).

In calculating the proportion of women and men in the “Subsidiaries/Management” column, we included the managing directors of the subsidiaries and worldwide profit centers, as well as the regional managers.

Tab. 2: Composition of management and employees by gender and nationality (2012)

	Marquard & Bahls AG						Subsidiaries	
	Executive		Management		Staff		Management	
<b>Gender</b>								
Male	4	100 %	8	67 %	72	49 %	90	97 %
Female	0	0 %	4	33 %	76	51 %	3	3 %
<b>Nationality</b>								
Local	2	50 %	9	75 %	146	99 %	69	74 %
Other	2	50 %	3	25 %	2	1 %	24	26 %

## Work-Life Balance

We are convinced that a good work-life balance contributes to the well-being and performance of our employees. We are aware of the fact that this balance can sometimes be difficult to achieve.

### › Working-time Models

To make work arrangements more flexible and promote a healthy work-life balance, various models such as part-time, working-time accounts, and trust-based working time are used as part of an individual, case-by-case assessment. In Germany, for example, the proportion of part-time contracts was 10 % (15 % in 2011). The re-entry of employees after parental leave is also encouraged and facilitated by various working-hour models. At December 31, 2012, 26 employees were on parental or maternity leave at German locations (19 in 2011), 50 % of them men.

### › Childcare

Marquard & Bahls helps its employees in Hamburg to organize childcare during school holidays. The company pays two thirds of the costs of holiday care for 6- to 12-year-olds arranged by the "kidz playground" organization.

### › Employee Assistance Program

As part of our commitment to implementing measures to improve work-life balance and offer employees support in different life situations, Marquard & Bahls has contracted the services of the external "Employee Assistance Program" (EAP). Since February 2012, this program has provided support to employees and their family members in Germany on a wide range of issues – from work-related and emotional problems to practical and legal issues. All matters are treated with strict adherence to data protection regulations.

During 2012, 13 % of employees at Marquard & Bahls and its participating subsidiaries in Germany used this consulting service. The proportion of work-related topics was 17 %; the remainder of the requests related to personal issues. Overall, the usage rate of the employee assistance program is well above average. Marquard & Bahls regards the keen acceptance of this offer as confirmation of the usefulness of this support measure.



**TIME** for CONSIDERATION



**EFFECT**



# Corporate Citizenship

Community involvement or corporate citizenship refers to social and environmental efforts for matters that go beyond a company's core activities, with the overall aim of creating additional benefit.

We are aware that our operations can have an impact on local communities and know that it is our responsibility to act as a good neighbor. Our voluntary community involvement helps us to build and maintain understanding and trust in our activities among all stakeholders.



In line with our values and our corporate philosophy, we strive to make a contribution to the welfare of the communities in which we operate. We do this based on individual projects that are tailored to local needs and circumstances, which many of our subsidiaries promote or initiate on their own. At group level, Marquard & Bahls's corporate citizenship activities can be broken out into five fields: environment, training, health and humanitarian projects, culture & sports, and research.

In organizing our commitment, we have to date relied on volunteering by employees as well as support in the form of donations and sponsorship.

In 2012, 37 % of our sites donated to charitable objectives or organized their own projects (40 % in 2011). In all, more than 355,000 euros were donated (330,000 euros in 2011) and more than 4,100 hours of volunteer work were performed.



Fig. 27: Volunteer projects by region and company

To encourage our employees at our locations worldwide to further expand their community involvement and help them to share examples of good practice, in February 2012 we launched a web-based knowledge-sharing platform on the group-wide intranet, where employees were invited to present their projects. In the first ten months alone, nearly 40 project descriptions were uploaded to the database. Below is a cross-section of the initiatives that reflects the spectrum of different activities.



## Environment

Oiltanking Ebytem in Argentina has joined forces with the non-governmental organization (NGO) Fraam near Puerto Rosales to protect threatened marine animals. In 2012, Oiltanking Ebytem donated building materials for the construction of a veterinary inspection station. In future, the station will examine threatened or injured animals, look after them and reintroduce them to the wild. It will also be used for training purposes, for example to teach children about endangered sea animals and how to protect them.

The Oiltanking terminal in Vitória, Brazil, arranged tree planting and painting activities for children at its terminal on World Environment Day. In China, Oiltanking Daya Bay employees and their families once again celebrated National Tree Planting Day, when millions of Chinese from all walks of life turn out to plant trees in their hometowns. During the tree-planting campaign organized in collaboration with a local NGO, 1,200 seedlings were planted on the treeless mountains near Daya Bay.



Oiltanking employees in Vitória, Brazil, celebrate World Environment Day with tree planting and painting activities for children

In 2012, the Oiltanking Asia Pacific region followed IOT's good example and celebrated "Earth Hour" on May 29, 2012 – a worldwide event organized annually by the World Wide Fund for Nature (WWF) since 2007 to raise awareness of climate change. For an hour, all non-essential lights were turned off at the tank terminals in Singapore, Merak (Indonesia), Daya Bay, and Nanjing (China). Based on the above-mentioned Oiltanking Energy Saving Guideline, we are reviewing the extent to which lighting at facilities can generally be reduced, supplemented by timers or replaced by LED bulbs. The use of twilight and motion sensors as well as manual circuits or even the complete elimination of some lighting units contains great potential for systematic energy savings.





### Education

Instead of giving its employees and customers Christmas presents, for years Marquard & Bahls has donated 50,000 euros per year to a good cause. In 2012, the money went to the SOS Children's Village in Tianjin, China, established in 1987.

The SOS Children's Village offers children, mainly orphans, from northern China a new home under the care of their SOS mothers and helpers. Today, 138 children live in large extended families at the SOS Children's Village. In addition, there is an SOS Kindergarten and an SOS Youth Facility with eight shared houses where a total of 32 young people currently live. When the young people move into this facility, they usually also start a vocational training program or go on to higher education. In this new environment, they develop their future prospects under the guidance of qualified educators, learn to shoulder responsibility and increasingly make their own decisions. A good education, counseling and training usually enable the young men and women to successfully obtain their certificates. The aim is to enable them to go to university or learn a manual profession, depending on their aptitude.

The donation enabled all the children at the SOS Children's Village in Tianjin to attend school or training for a year: It paid for school fees, classroom materials as well as the cost of vocational training for the teens.

The SOS Children's Village in Tianjin mainly offers orphans from northern China a new home and the chance of a good education



For years, Oiltanking Terminais in Brazil has been funding projects at the Institute of Community Action of Paul (IACBP), an NGO founded in 2007. The IACBP mainly works to improve young people's computer skills and thereby increase their chances on the labor market.

Oiltanking Terminais sponsors the NGO with 20,000 euros per year in order to expand both the number of training rooms and to increase the range of courses offered free of charge, in which 186 young people have participated since the launch of the program.

Supporting children in humanitarian projects is also high on the agenda at other locations. Oiltanking Ebytem in Argentina supports local NGOs such as "Casa del Niño", CAI (Centros Asistenciales Infantil), Rayito de Luz, Caritas as well as schools and hospitals through in-kind or cash donations of between 4,000 euros and 8,000 euros a year. The Oiltanking terminal in Brandsen also donated discarded, but fully functional computers to a local school and staff volunteered to help paint a school during its renovation.

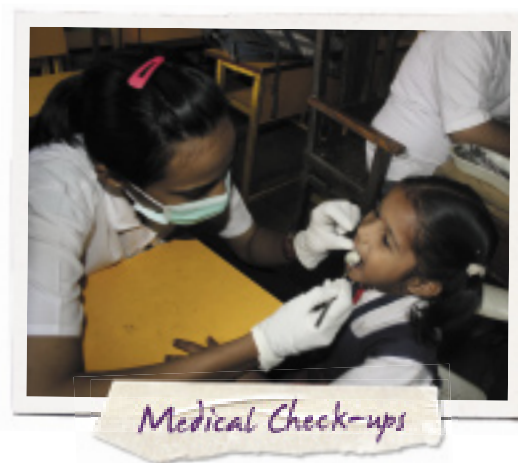


Oiltanking Terminais in Brazil and Oiltanking Ebytem in Argentina work with local NGOs to promote the education of children and teens

### Health & Humanitarian Projects

In 2012, in cooperation with renowned eye and dental clinics and a training center for medical professionals, our Indian subsidiary IOT hosted health camps for nearby communities and schools at its Chennai and Navghar sites. In Navghar, 250 students and 100 villagers were given dental and general medical check-ups and received instruction in dental hygiene. In Chennai, about 200 people participated in a health camp for eye health in December 2012.

Indian Oiltanking (IOT) organized health camps providing medical care for nearby schools and communities at its Chennai and Navghar sites





Instead of giving its customers Christmas presents in 2012, Staack Pooltankstellen, a Petronord subsidiary, donated 8,500 euros to the Kinder-Hospiz Sternenbrücke e. V. in Hamburg to fund a new hospital bed. The children's hospice offers a complete care program for children and teens with incurable diseases and limited life expectancy, respite care facilities, and also supports the sick child's family through the final phase of life.

Staack Pooltankstellen,  
a Petronord subsidiary,  
supported Kinder-Hospiz  
Sternenbrücke in Hamburg



### Culture & Sports

Sports and cultural experiences bring people together, no matter what their age or background. To promote this spirit of community, Marquard & Bahls commits to selected local projects and events. For example, Mabanol supported a local football club, various motor-sports events and the "Coole ElbStreicher" orchestra consisting of about 50 children and teens aged 6 to 18. Under the direction of cellist Gesa Riedel, children from different social classes learn how much fun and joy music can add to their lives. A mentoring principle that encourages the older kids to develop musical and social responsibility for the younger ones creates a social structure focusing on the enjoyment of music. The "Coole ElbStreicher" used the donation to fund the orchestra's trip to "Orchestrale," the annual State Orchestra Competition in Hamburg and Schleswig-Holstein.



As part of its  
corporate citizenship  
activities, Mabanol  
supports the innovative  
"Coole ElbStreicher"  
children's and youth  
orchestra

## Research

As another area of our corporate citizenship, we also support research projects, for example a project supported by the "Initiative Pro Klima" program that aims to better understand the impact of climate change and derive inferences for eco-friendlier behavior. The initiative funds Christian Klepp's post-doctoral research at Hamburg's "KlimaCampus." The project seeks to examine the relationship between climate change and precipitation; to this end, newly developed precipitation gauges have been installed on German, Russian, and Finnish research vessels, where – in cooperation with the University of Buenos Aires – continuous, long-term measurements will be made on the world's oceans. In October 2012, in cooperation with NASA, a micro rain radar was installed on the German icebreaker "Polarstern" in addition to the precipitation gauges and has since gone into operation to give more precise information about precipitation types. The data is collected in regions where there was no comparable data to date, and provides deeper insights into the water cycle. The precipitation data collected in this way has already yielded significant results for international climate research. Dr. Klepp presented the results of Phase II of the project at the "Global Precipitation Measurement Conference" in Toronto, Canada, in July 2012.



Dr. Christian Klepp  
presents the research project funded by  
the "Initiative Pro Klima" program



# Sustainability Goals

If a company doesn't know the direction it is developing in, it cannot successfully put its vision and mission into practice.

In compiling the activities and topics covered in this report, Marquard & Bahls established priorities and goals for anchoring and managing sustainability in the company. We will continue to develop our goals and the management of our sustainability efforts and report on them.



## Sustainability Targets

TOPIC	TARGET	ACHIEVEMENT	STATUS	TIMING	PAGE
<b>MANAGEMENT APPROACH</b>					
<b>Sustainability Management</b>	Integrate sustainability aspects in the strategy of the whole group of companies	Discussions with Executive Board and management at the subsidiaries. Included on the agenda at strategy meetings. Sustainability is integrated in the newly defined Mission Statement.	☐	2015	20
	Implement group-wide HSSE audits and worldwide HSSE meetings at Skytanking	The first HSSE Meeting was held in 2011 at Skytanking Germany, and has been a fixed element of the annual Management Meeting since. In 2012, first HSSE audits at sites in Germany, France, the U.S., and India.	●	ongoing	21
<b>Sustainability Strategy</b>	Further develop the Sustainability Strategy in line with stakeholder expectations	Sustainability Strategy has been amended to reflect the results of the first few Stakeholder Dialogs. First regional CR Managers have been appointed.	☐	2015	17
<b>Stakeholder Management</b>	Develop a strategy for managing stakeholders	Stakeholder Management Guideline was drawn up in 2012. Initial dialogs at holding and local levels in 2011 and 2012.	●	2013	24
<b>Sustainability Reporting</b>	Develop key indicators to measure sustainability performance and define quantifiable, measurable targets	Key indicators were integrated in the reporting of all subsidiaries in 2010. Initial quantifiable goals were formulated in the 2011 report and expanded to include trend analyses for 2012.	●	ongoing	27
<b>CORPORATE GOVERNANCE</b>					
<b>Compliance with Legal Requirements</b>	Further reduce fines due to non-compliance with laws and regulations	In 2012, fines increased to a level between the values of 2010 and 2011. Target has been re-set to a level below 2011.	○	2013	33
<b>Anti-corruption</b>	Develop programs to completely eliminate corruption	Since 2011, Oiltanking has a special anti-corruption training program that all of its executives complete online. This is to be developed for other subsidiaries as well.	☐	2015	34
<b>Transparency</b>	Ongoing disclosure of sustainability-related performance indicators to interested stakeholders	Developed and published sustainability reports since 2011. Participation in various studies on sustainability in business.	●	ongoing	35
<b>ECONOMIC RESPONSIBILITY</b>					
<b>Financial Performance</b>	Long-term, profitable growth, no short-term profit maximization, appropriate return on capital	Despite tension in the international markets, our diversified risk profile enabled us to achieve solid profits and an increase in equity in 2012.	☐	ongoing	38
<b>Risk Management</b>	Implement group-wide risk managements taking into consideration ecological and social matters	For Oiltanking, a project management manual was developed that addresses HSSE risks as well.	☐	2015	40
★ <b>Supplier Relations</b>	Develop an integrated management program for contractor safety	In 2012, data was compiled and requirements for the program were drawn up.	☐	2014	70

★ = new target ● = achieved/implemented and ongoing ☐ = partly achieved/implemented ○ = not achieved/in progress

TOPIC	TARGET	ACHIEVEMENT	STATUS	TIMING	PAGE
<b>ECOLOGICAL RESPONSIBILITY</b>					
Spill Prevention	Minimize spills; set targets with subsidiaries and monitor the results	Participation in Oil Spill Response Ltd. Emergency plans and practical training and drill programs exist at Oiltanking. Integration of relevant indicators in the management's bonus scheme. New target for Oiltanking: 10 % year-on-year reduction.	●	2013	45
Energy Savings & Climate Protection	Reduce energy consumption in tank storage activities by 10 % in the next 3 - 5 years; develop and implement energy savings programs	Oiltanking's energy savings guideline (since 2011) has been completely put into practice at three tank terminals; in the process, further energy savings potential was identified. Other tank terminals have also taken measures. Relative energy consumption at Oiltanking reduced by 12 %; direct and indirect energy consumption across the company reduced by 6 %. New target: reduction by 10 % to 2015 (on the basis of 2012).	●	2015	46
	Further reduce greenhouse gas emissions	Total direct and indirect CO <sub>2</sub> emissions were reduced by 30 % in 2012 (partly due to the withdrawal from international trading).	●	2012	50
Conservation of Resources	Intensify efforts to reduce water consumption	Relative water consumption at Oiltanking reduced by 29 %. Water management is part of Oiltanking's energy savings program.	●	2015	60
<b>SOCIAL RESPONSIBILITY</b>					
★ Health & Safety	10 % year-on-year reduction in the relative frequency of accidents that result in lost workdays	2012: decrease by 37 % compared to 2011.	○	2013	70
	Further reduce the number of fires and explosions	Slight increase in incidence of fires & explosions in 2012; our goal continues to be the prevention of fires and explosions.	○	2015	71
Education & Training	Improve the training and coaching offered to our staff	Trainees hired in all units of the company. Provision of a broad spectrum of training and coaching opportunities for employees.	●	2013	72
Equal Opportunity	Further increase the proportion of female employees and employees of different nationalities	A balanced ratio between female and male candidates is maintained when hiring junior staff. The overall share of female employees has risen to 14 %.	●	2013	76
<b>CORPORATE CITIZENSHIP</b>					
★ Corporate Citizenship	Develop a Corporate Citizenship strategy featuring global "lighthouse" projects	Initial discussions	○	2015	17
	Develop an intranet platform for publicizing exemplary programs	Intranet platform for publicizing exemplary programs was launched in 2012. Since then, more than 40 project descriptions have been uploaded.	●	2012	80





## » Abbreviations

AEBIOM	=	European Biomass Association (Association Européenne pour la Biomasse)
CH <sub>4</sub>	=	Methane
CNG	=	Compressed Natural Gas
CO <sub>2</sub>	=	Carbon dioxide
CO <sub>2</sub> e	=	Carbon dioxide equivalents
CR	=	Corporate Responsibility
CSR	=	Corporate Social Responsibility
DAkkS	=	Deutsche Akkreditierungsstelle (German Accreditation Service)
EBIS	=	European Barge Inspection Scheme
EBV	=	Erdölbevorratungsverband (German Strategic Storage Organization)
EPC	=	Engineering, Procurement & Construction
EPCA	=	European Petrochemical Association
ERP	=	Emergency Response Plan
FETSA	=	Federation of European Tank Storage Associations
FSC	=	Forest Stewardship Council
GHG	=	Greenhouse Gases
GJ	=	Gigajoule
GRI	=	Global Reporting Initiative
HR	=	Human Resources
HSSE	=	Health, Safety, Security & Environment
IFEU	=	Institut für Energie- und Umweltforschung (Institute for Energy and Environmental Research)
ILO	=	International Labour Organisation
IMO	=	International Maritime Organization
IOT	=	Indian Oiltanking Infrastructure & Energy Services Ltd.
IPCC	=	International Panel on Climate Change
IPIECA	=	International Petroleum Industry Environmental Conservation Association
ISO	=	International Organization for Standardization

IUCN	=	International Union for the Conservation of Nature
KPI	=	Key Performance Indicators
kWh	=	kilowatt-hour
LAV	=	Latin America Association/Lateinamerika Verein e. V.
LED	=	Light Emitting Diode
LPG	=	Liquefied Petroleum Gas
MJ	=	Megajoule
MWD	=	Measurement While Drilling
MW (el)	=	Electrical megawatt
MWh	=	Megawatt-hour
N <sub>2</sub> O	=	Nitrous oxide
NGO	=	non-governmental Organization
NMHC	=	Non-methane hydrocarbons
NO <sub>x</sub>	=	Nitrogen oxide
NO <sub>2</sub>	=	Nitrogen dioxide
OCIMF	=	Oil Companies International Marine Forum
OECD	=	Organization for Economic Co-operation and Development
OHSAS	=	Occupational Health and Safety Assessment Series
O&M	=	Operation & Maintenance
PEFC	=	Program for the Endorsement of Forest Certification Schemes
PM	=	Particulate Matter
SME	=	Small and medium-sized enterprise
SO <sub>2</sub>	=	Sulfur dioxide
SO <sub>x</sub>	=	Sulfur oxides
U.K.	=	United Kingdom
UN	=	United Nations
UPEI	=	Union of European Petroleum Independents
U.S.	=	United States
UTV	=	Independent Tank Storage Association Unabhängiger Tanklagerverband e. V.
VOCs	=	Volatile organic compounds



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## GRI Index

INDICATORS	COVERAGE	PAGE
<b>1 Strategy and Analysis</b>		
1.1 Statement from the most senior decision-maker of the organization _____ ●		5
1.2 Description of key impacts, risks, and opportunities _____ ●		17, 34, 40 44, 70
<b>2 Organizational Profile</b>		
2.1 Name of the organization _____ ●		7
2.2 Primary brands, products, and/or services _____ ●		7
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures _____ ●		7
2.4 Location of organization's headquarters _____ ●		7
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report _____ ●		7, 14
2.6 Nature of ownership and legal form _____ ●		18
2.7 Markets served (including regions, sectors, and types of customers) _____ ●		7-13, 14
2.8 Scale of the reporting organization _____ ●		7-13, 38, 66
2.9 Significant changes during the reporting period regarding size, structure, or ownership _____ ●		12, 13
2.10 Awards received in the reporting period _____ ●		25
<b>3 Report Parameters</b>		
<b>Report Profile</b>		
3.1 Reporting period for information provided _____ ●		25
3.2 Date of most recent previous report _____ ●		25
3.3 Reporting cycle _____ ●		25
3.4 Contact point for questions regarding the report or its contents _____ ●		25
<b>Report Scope and Boundary</b>		
3.5 Process for defining report content _____ ●		26, 27
3.6 Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) _____ ●		25, 92-93
3.7 Specific limitations on the scope or boundary of the report _____ ●		25
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations _____ ●		25, 48, 49
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols _____ ●		25, 47
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods) _____ ●		46, 69
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report _____ ●		25
<b>GRI Content Index</b>		
3.12 GRI Index _____ ●		95-97
<b>Assurance</b>		
3.13 Policy and current practice with regard to seeking external assurance for the report _____ ●		27
<b>4 Governance, Commitments and Engagement</b>		
<b>Governance</b>		
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight _____ ●		18
4.2 Indication whether the Chair of the highest governance body is also an executive officer _____ ●		18
4.3 Number of members of the supervisory board _____ ●		18

> = Core Indicator ● = fully reported ◐ = partially reported ○ = not reported

INDICATORS	COVERAGE	PAGE
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body ●	19
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance) ●	22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided ●	21, 32
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics ●	20
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation ●	21, 32, 34
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles ●	18, 19, 21, 73
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance ●	18, 20, 21, 72
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization ●	16, 40
<b>Commitments to External Initiatives</b>		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses ●	21, 73
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic ●	24
<b>Stakeholder Engagement</b>		
4.14	List of stakeholder groups engaged by the organization ●	23
4.15	Basis for identification and selection of stakeholders with whom to engage ●	23
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group ●	23, 24
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting ●	22, 26
<b>Economic Performance Indicators</b>		
DMA	Management Approach EC ●	38–41
>	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments ●	39
>	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change ●	40
>	EC3 Coverage of the organization's defined benefit plan obligations ●	74
>	EC4 Significant financial assistance received from government ○	
	EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation ●	33, 74
>	EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation ○	
>	EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation ●	75, 76
>	EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement ○	
	EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts ●	38
<b>Environmental Performance Indicators</b>		
DMA	Management Approach EN ●	44, 48
>	EN1 Materials used by weight or volume ●	60
>	EN2 Percentage of materials used that are recycled input materials ●	60



INDICATORS	COVERAGE	PAGE
> EN3 Direct energy consumption by primary energy source _____	●	46
> EN4 Indirect energy consumption by primary source _____	●	46
EN5 Energy saved due to conservation and efficiency improvements _____	◐	47
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives _____	◐	55, 56
EN7 Initiatives to reduce indirect energy consumption and reductions achieved _____	◐	47
> EN8 Total water withdrawal by source _____	●	59
EN9 Water sources significantly affected by withdrawal of water _____	○	
EN10 Percentage and total volume of water recycled and reused _____	○	
> EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas _____	◐	63
> EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas _____	◐	63
EN13 Habitats protected or restored _____	○	
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity _____	○	
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations _____	●	63
> EN16 Total direct and indirect greenhouse gas emissions by weight _____	●	50
> EN17 Other relevant indirect greenhouse gas emissions by weight _____	●	51–54
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved _____	●	47, 51, 53
> EN19 Emissions of ozone-depleting substances by weight _____	◐	54
> EN20 NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight _____	●	54
> EN21 Total water discharge by quality and destination _____	●	62
> EN22 Total weight of waste by type and disposal method _____	◐	61, 62
> EN23 Total number and volume of significant spills _____	●	44
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally _____	○	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff _____	○	
> EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation _____	●	55, 57
> EN27 Percentage of products sold and their packaging materials that are reclaimed by category _____	○	
> EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations _____	●	32
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce _____	●	51–53
EN30 Total environmental protection expenditures and investments _____	○	
<b>Social Performance Indicators: Labor Practices and Decent Work</b>		
DMA Management Approach LA _____	◐	66, 69, 75
> LA1 Total workforce by employment type, employment contract, and region _____	●	66, 67
> LA2 Total number and rate of employee turnover _____	◐	67
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees _____	◐	74
> LA4 Percentage of employees covered by collective bargaining agreements _____	◐	73
> LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements _____	○	
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs _____	○	
> LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region _____	◐	69, 70
> LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases _____	●	71, 77, 83
LA9 Health and safety topics covered in formal agreements with trade unions _____	○	
> LA10 Average hours of training per year per employee by employee category _____	◐	73
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings _____	◐	72, 73

> = Core Indicator ● = fully reported ◐ = partially reported ○ = not reported

INDICATORS	COVERAGE	PAGE
LA12 Percentage of employees receiving regular performance and career development reviews _____	○	
> LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity _____	●	75, 76
> LA14 Ratio of basic salary of men to women by employee category _____	○	
<b>Social Performance Indicators: Human Rights</b>		
DMA Management Approach HR _____	●	75
> HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening _____	○	
> HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken _____	○	
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained _____	○	
> HR4 Total number of incidents of discrimination and actions taken _____	●	75
> HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights _____	●	73
> HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor _____	●	74, 75
> HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor _____	●	74, 75
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations _____	○	
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken _____	○	
<b>Social Performance Indicators: Society</b>		
DMA Management Approach SO _____	●	
> SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities _____	●	24
> SO2 Percentage and total number of business units analyzed for risks related to corruption. _____	●	34
> SO3 Percentage of employees trained in organization's anti-corruption policies and procedures. _____	○	
> SO4 Actions taken in response to incidents of corruption _____	●	34
> SO5 Public policy positions and participation in public policy development and lobbying _____	●	24
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country _____	○	
SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes _____	○	
> SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations _____	●	32
<b>Social Performance Indicators: Product Responsibility</b>		
DMA Management Approach PR _____	●	32
> PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement _____	●	69
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle _____	○	
> PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements _____	●	33
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling _____	○	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction _____	●	41
> PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship _____	●	35
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship _____	○	
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data _____	○	
> PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services _____	●	32





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