TCFD conclusions

2024

Taskforce on Climate-related Financial Disclosures (TCFD)

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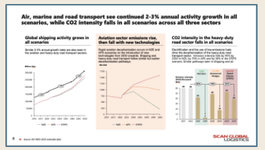
SCAN GLOBAL LOGISTICS

We have concluded a robust update to our TCFD analysis based on the well-respected IEA and IPCC climate scenarios

1 **SGL has strong governance** and management of climate-related risks and opportunities.

2 **The air, marine and road transport sectors continue to grow** under all scenarios. Regulations to decarbonise transport do not impact volume growth.



3 Due to SGL's **asset-light business model,** we do not face the higher costs or technology and investment risks that carriers face to decarbonise their assets. Nor does SGL have any material physical climate-related risks.

4 SGL has **significant climate-related revenue opportunities.** Meanwhile, the few transition risks that we face are mitigated by our strategy.

5 SGL **has a near-term (2030) science-based target in place,** and we expect our long-term (2050) emissions reduction target to be approved in 2024 (approved July 2024).

Strong governance and risk management

Climate-related risks are overseen by the Board and included in SGL Group's Enterprise Risk Management (ERM) process

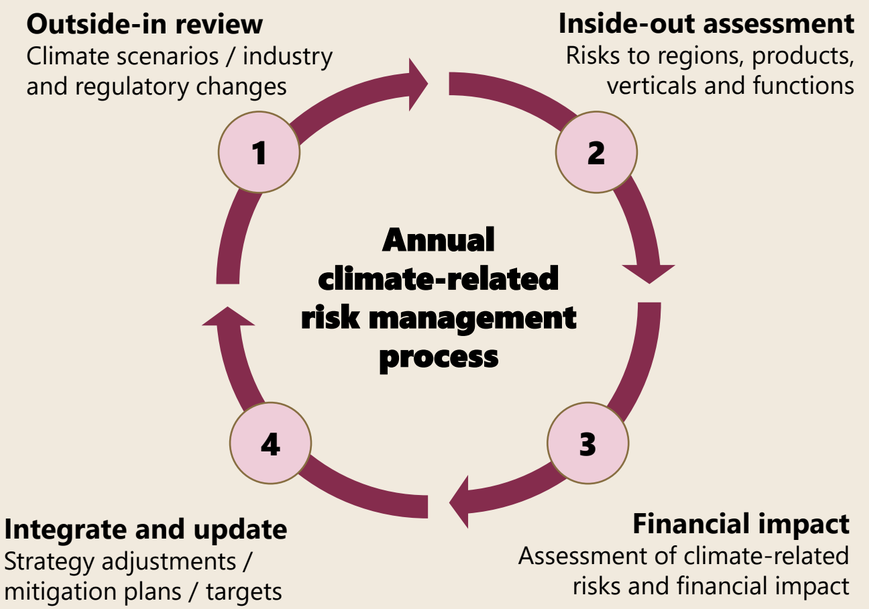
Overview of our climate-related risk governance

The Board of Directors oversees and integrates climate-related issues into strategic decisions

Board of Directors **Chairman of the Board**	✓ Provides the vision for sustainability ✓ Approves the annual sustainability report	**Audit Committee** **Chair Chairman of the Board**	✓ Oversees the Enterprise Risk Management (ERM) process ✓ Handling of overall ESG risks strategies ✓ Reports to the Board of Directors
Executive Management **Group CEO Group CFO**	✓ Responsible for ESG performance ✓ Approves ESG objectives and approach	**Sustainability Board** **Chair Group CFO**	✓ Supervises ESG performance ✓ Ensures that ESG activities and responsibilities are in line with decisions from the Executive Management team
Business organisation & corporate functions **Senior Management**	✓ Ensure progress in sustainability development programmes and to live by the group policies ✓ Conduct yearly GHG emission analysis		

Climate-related risks are reviewed annually

Four-step, annual process



Our TCFD process at a glance

The TCFD scenario analysis included four key steps. The overall goal was to test and improve the resilience of SGL's strategy against climate scenarios and update disclosure.

Climate scenarios
Update climate scenarios

Update three distinct scenarios

Prepare three bespoke scenarios based on IEA and IPCC climate scenarios, and supplemented by:

- Macro/political/trade data
- Industry data

1.5°C	Net Zero 2050 (NZE)
1.7-2°C	Announced Pledges (APS)
2.4-3°C	Stated Policies (STEPS)

Risks & opportunities
Update climate-related risks and opportunities

Top-down review

Review of existing TCFD, strategy and enterprise risks and opportunities

Outside-in analysis

Review of air freight and ocean freight market outlooks

Bottom-up assessment

Prioritisation of risks and opportunities

Financial materiality
Assess financial exposure to climate-related risks and opportunities

Assess financial exposure

Determine financial exposure to climate-related risks and opportunities across relevant lenses:

Determine materiality

Determine which risks and opportunities are financially material to Aker's portfolio and investment strategy

Integrate and disclose
Adjust strategy, ERM process and update disclosures

Test resilience and adjust strategy/metrics (if required)

Test resilience of existing strategy and identify risks not mitigated and opportunities not captured. Recommend adjustments (if required).

ERM and governance

Integrate climate into the ERM process and existing governance model (management and board)

Update TCFD disclosure

Communicate decision-useful information via TCFD disclosure and investor presentation.

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We tested our strategy against robust scenarios

In line with best practice, three highly-respected IEA scenarios were used to assess the resilience of SGL's business model and strategy. The UN's IPCC SSP3-7.0 "accepted worst-case" scenario was used to test physical risk.

1.5°C Net Zero Emissions (NZE)

- An ambitious scenario that limits global warming to 1.5 °C through **stringent climate policies and innovation**, reaching net zero CO_2 emissions around 2050.
- Some advanced economies decarbonise faster and reach net zero by 2045.
- **Assumes that ambitious climate policies are introduced immediately** with low policy variation between regions and strong international co-operation to achieve net-zero emissions worldwide.
- Governments work to ensure an **orderly transition across the energy sector with security of supply safeguarded.**

Transition risks are high and physical risks are relatively low.

1.7-2°C Announced Pledges (APS)

- Announced Pledges assumes that governments meet **all the climate-related commitments that have been announced**, including net-zero targets.
- Assumes **lower global policy co-ordination** and a more disorderly transition with wide variation
- **A two-speed world emerges** as advanced economies decarbonise, but emissions rise in developing economies to 2030.
- Trade barriers and other tensions emerge.
- **Risk of volatility in energy sector** due to lack of policy co-ordination.

Transition risks are higher and physical risks are medium.

2.4-3°C Stated Policies (STEPS) + IPCC SSP3-7.0

- This scenario relies only on government **policies that have already been introduced or announced**, such as the EU's Fit for 55.
- Temperatures exceed 2°C around 2060 and continue rising to **up to 3°C** with stark consequences for global ecosystems and human well-being.
- The higher the temperature rise, the greater the risks of severe weather events and irreversible changes such as **higher sea level rise and extreme temperatures.**
- **Conflict and humanitarian crises** are exacerbated, and some areas of the world become uninhabitable zones.

Transition risks are low and physical risks are high.

Sources: IEA and IPCC

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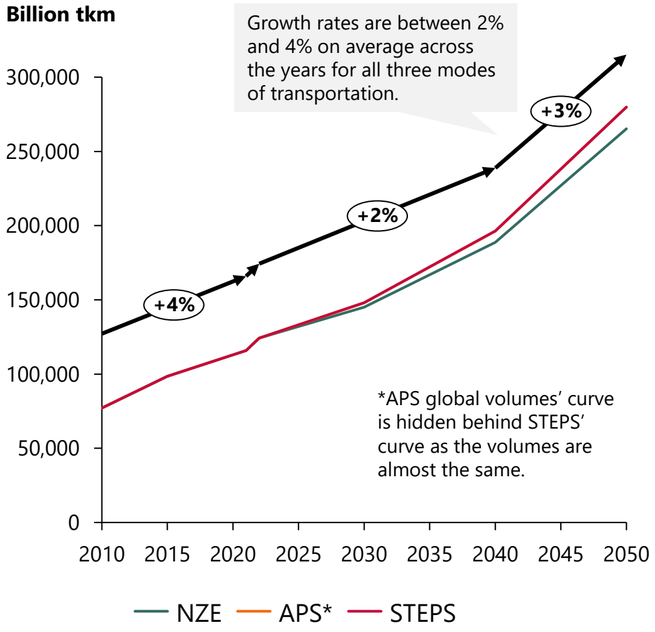
Marine, air and road transport see continued 2-3% annual volume growth in all scenarios, while CO2 intensity falls in all scenarios across all three sectors

Marine

Global shipping volumes grow in all scenarios

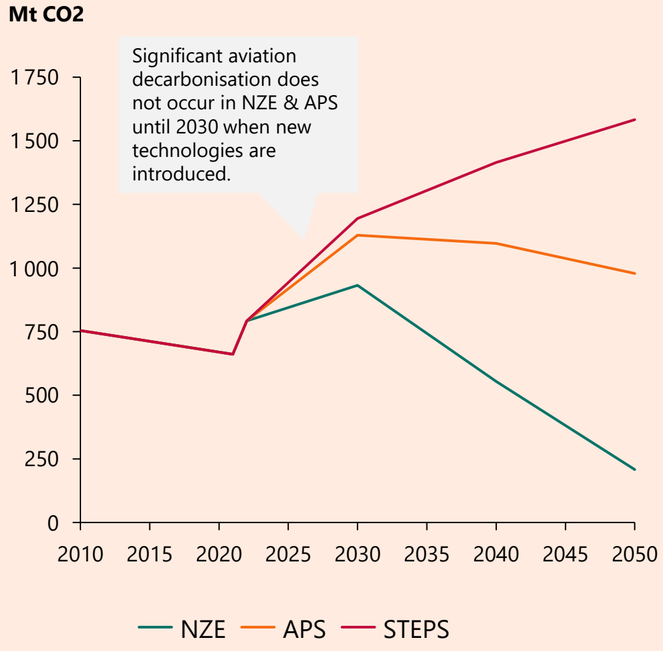
Similar 2-3% annual growth rates are also seen in the aviation and heavy-duty road transport sectors.



Air

Aviation sector emissions rise, then fall with new technologies

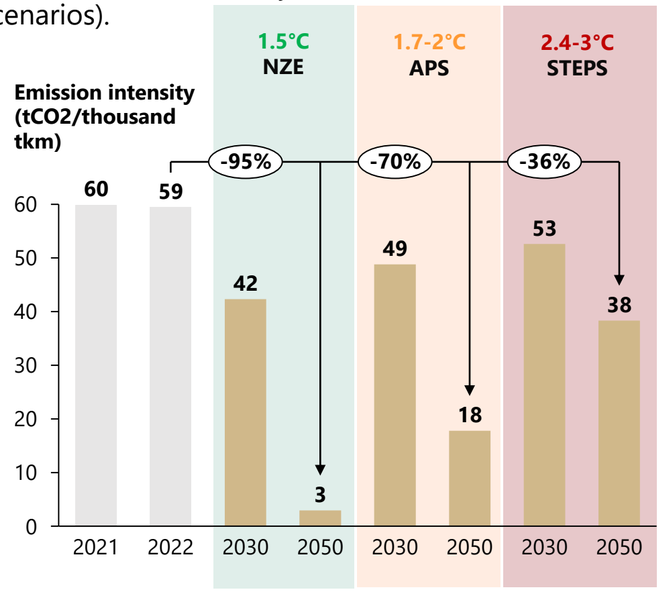
Aviation decarbonisation occurs in NZE and APS scenarios on the introduction of new technologies from 2030 onwards. Shipping and heavy-duty road transport follow similar but earlier decarbonisation pathways.



Road

CO2 intensity in the heavy-duty road sector falls in all scenarios

Electrification and the use of low-emissions fuels drive the decarbonisation of the heavy-duty road transport sector. Emission intensity falls by 95% by 2050 in NZE, by 70% in APS and by 36% in the STEPS scenario. Similar pathways seen in shipping and air (though shipping has lower emissions intensity than road and air across all scenarios).



» *Source: IEA WEO 2023 extended data*

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Due to SGL's asset-light business model, we do not face the risks that carriers face to decarbonise their assets

With few assets, SGL does not face the higher costs or technology and investment risks that carriers face to decarbonise their assets. Nor does SGL have any material physical climate-related risks.

	Carrier climate-related transition and physical risks		How SGL's business model and/or strategy mitigate risk
Medium-term *(2-5 years)*	Policy & Legal	**Pricing of GHG emissions** Carbon taxes will increase under the orderly and disorderly scenarios. Carriers will pass the costs of carbon taxes on to customers.	✓ **SGL's revenue model** SGL's revenue model is not exposed to carbon tax as it merely adds a fee for services to the cost of shipping.
	Technology	**Transition to lower emissions technology** Carriers will face increased costs and investment and technology risks to decarbonise their assets under all scenarios (even under STEPS, carriers will need to decarbonise their assets to meet EU and other developed nation emissions requirements)	✓ **SGL's asset-light business model** SGL's asset-light business model removes the cost and risk of having to decarbonise asset performance.
Long-term *(5-10 years)*	Physical risk	**Climate adaptation costs** Carriers face increasing costs to adapt their assets and infrastructure to the rising impact of chronic physical risks and operational impact from acute weather events,	✓ **SGL's asset-light business model and revenue model** With few assets, SGL has no material exposure to physical climate risk. Operational impacts on suppliers and delays for customers due to acute weather events have no impact on SGL's revenue. Increases in the frequency of supply chain disruptions due to weather events increase the need for SGL's expertise in handling complexity.

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SGL's strategy mitigates its climate-related transition risks

We have identified a limited number of climate-related financial risks

	Climate-related Risks		How SGL's business model and/or strategy to mitigate risk	Potential financial impact
Medium-term (2-5 years)	Market	**Shift away from air to less carbon-intensive modes** Airfreight is the most carbon-intensive mode of transport and is not expected to decarbonise significantly until 2030 when new technologies become available. In the meantime, customers may switch to less carbon-intensive modes of transportation, which may impact SGL's profitability as airfreight has higher margins.	✓ **SGL's strategy to offer low-carbon services** • SGL is purchasing Sustainable Aviation Fuel volumes to continue using airfreight as a low-carbon option for its clients. • SGL is also mitigating this risk by being a leader in low-carbon products and services based on our flexibility to select carriers that are leaders in decarbonising their assets, and to join industry groups focussed on decarbonising supply chains in order to attract a larger client base.	• A change in customer preference from Air towards lower emission logistics has a potential to impact margins • The risk of business moving away from this mode may be mitigated as low-carbon solutions introduce new services/ add-ons
	Reputation	**Inability to meet emission targets** Slower uptake of low-carbon logistics due to factors such as reluctance of customers to pay for low-carbon logistics and/or slower decarbonisation by suppliers may put SGL at risk of not meeting its published emissions reduction targets for Scope 3 (99% of total emissions in 2022). This, in turn, could have adverse reputational and market impacts.	✓ **SGL's full solution catalogue and client decarbonisation engagements** • SGL is mitigating this risk by providing low-carbon logistics solutions to customers and directly engaging with customers to design low-carbon journeys • SGL is also engaging, educating and advising customers to drive demand for lower-carbon options	• An inability by SGL to meet its emission reduction targets could result in lost revenues as customers select other providers • SGL could be shut out of supply chains that have science-based emissions reduction requirements, resulting in lost revenues • Any green debt/ equity funding benefits could also be impacted as funding providers adjust their sustainability outlooks
	Technology	**Insufficient supply of low-carbon fuels** SGL may not be able to procure a sufficient supply of low-carbon fuels, such as SAF (sustainable aviation fuel), marine biofuel and biofuel for trucks, to meet customer demand. Supply of these fuels is limited, and SGL faces competition from large global players. Inability to meet customer demand may result in a loss of market share in low-carbon logistics services.	✓ **SGL's strategy to manage alternative fuels proactively** • SGL is mitigating this risk by buying alternative fuels in advance.	• The risks associated with the uncertainty in the availability of alternative fuels have the potential to increase costs for hedging and administrative costs. • Switching to traditional fuels would increase Scope 3 emissions (See risk above)

SGL has significant climate-related revenue opportunities

Our asset-light model and flexibility with partners & suppliers is an opportunity to differentiate

	Climate-related Opportunities		How SGL's business model and/or strategy can realise these opportunities	Potential financial impact
Short-term *(0-2 years)*	Products/ Services	**Low-carbon services** Clients are increasingly aware of minimizing their emissions and willing to decarbonize their transportation. SGL has an opportunity to expand and diversify its client base to seize this growing demand. Moreover, SGL has an opportunity to put forward its expertise to deal with increased complexity for its customers.	✓ **SGL's strategy to offer low-carbon logistics services** • SGL's strategy of offering low-carbon logistics services capitalises on this opportunity in the following ways: ○ Offering low-carbon logistics to a higher proportion of existing clients and approaching new (large) companies seeking low-carbon solutions, ○ Being seen as a market leader/ positioning itself as a climate change leader, ○ Identifying new markets in need of low-carbon solutions, and ○ Expanding existing offering to meet the needs of existing and new customers.	• Providing low-carbon services in an environment where many existing and potential customers are in need of these services has the potential to significantly increase revenues. ○ There is potential for increased revenues due to: ○ A larger customer base ○ Higher revenues per client due to an increased offering ○ Diversified customer base
Medium-term *(2-5 years)*	Products/ Services	**Increased frequency and intensity of climate-related humanitarian crises** Humanitarian consequences of climate change are expected to increase the demand for specialist services in aid relief operations, such as the provision of emergency supplies, medical assistance, food distribution, and shelter for affected populations. With its expertise in logistics and transportation, SGL is well-positioned to cater for the need of specialist services with its critical support for UN agencies, NGOs, governments and other stakeholders.	✓ **SGL's strategy to be a market leader in providing logistics in humanitarian crises** • SGL is the market leader in providing logistics for humanitarian crises with long-standing expertise and key partnerships • SGL will cater for the specialist demand in aid and relief operations by continuing to stay a market leader, and providing logistics as climate-related crises increase in severity and frequency	• As the frequency and intensity of climate related crises increase the demand for aid and relief support increases; therefore, SGL can continue to provide support in aid and relief operations.
	Markets	**Increased demand for recycling (*reverse logistics*)** A slight increase in shipping related to recycling has been observed, where the recycled goods are being returned to point of origin on the back-haul. There is an expectation that this trend will continue and increase in volume and across sectors This presents a new opportunity for SGL in the form of increased demand as well as potentially offering specialized services related to recycling	✓ **SGL capitalising on changing market demands from existing and new clients** • As existing customers face pressures to recycle and ship goods back to their source, SGL is already positioned to provide reverse logistics	• Increased demand for reverse logistics driven by recycling creates an opportunity for SGL to grow revenue from existing clients.

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SGL's emissions targets are science-based

SGL's near-term (2030) emissions reduction target was approved by the Science Based Targets initiative in March 2023. We will submit a long-term (2050) emissions reduction target for approval in 2024

Key highlights

Committed to 1.5°C

Approved by the Science Based Targets initiative in March 2023, SGL's metrics and targets are aligned to requirements to limit global warming to 1.5°C for the near-term.

First logistics provider in Denmark

SGL was the first logistics provider in Denmark and one of only 10 companies within the sector globally in 2020 to commit to the 1.5°C target.

Net zero by 2050

SGL also committed to reaching net-zero emissions by 2050 and will submit targets for approval by the Science Based Targets initiative in early 2024 for long-term targets.

SGL's near-term science-based target was approved in March 2023, and SGL´s long-term science-based target was approved in July 2024 following the submission in Q1 2024.

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