

SUSTAINABILITY REPORT OF AVES ONE AG FOR THE CRITERIA ENVIRONMENT SOCIAL GOVERNANCE





grams of CO₂ per tonne-kilometre are produced by rail. In comparison, trucks emit around 100 grams. This means that rail

is more climate-friendly than any other means of mass transport.

1. GENERAL

The sustainability-related responsibility of companies is becoming increasingly important in all sectors. This responsibility can be subdivided into the three pillars environment (**Environment**), social (**Social**) and corporate governance (**Governance**), in short „ESG“. Aves One AG fulfils many **ESG criteria**. It makes a positive and sustainable contribution to society, both from an environmental perspective and from an ethical and moral point of view.

So far, public perception and discussion have focused on **environmental aspects** in particular, the „E“ in ESG. Currently, however, the COVID-19 pandemic is making us realise that societal issues and especially social cohesion are just as important. They must not be neglected. The state of the environment, the economy and the society are inextricably linked. From our perspective, it is therefore right that **social aspects**, the „S“ in ESG, come more into focus when considering and evaluating sustainability. Respecting and protecting the welfare and needs of customers, employees, and shareholders makes a valuable social contribution in our complex, rapidly changing world, mainly, but not only due to globalisation.

Although Aves One is not yet directly declared sustainable by corporate principles, its business activity of investing primarily in European rail freight transport pursues at least one of the **Sustainable Development Goals (SDG) of the United Nations (UN)**¹, namely that of sustainable transport with **SDG 11 „Sustainable Cities and Human Settlements“**. **Rail is demonstrably the most environmentally friendly mode of transport**. Private holder and leasing companies are a mainstay of growth in domestic and international rail freight transport and Aves One - through its investments in the rail market - is one of the leading European companies in this sector.

¹ <https://sdgs.un.org/goals>



2. ENVIRONMENT

Environmental protection and sustainable business management do not only play an important role in the rail sector. **Ecological aspects are also becoming increasingly important in the other transportation markets and, thus, in the whole transport and logistics industry.** This applies to the entire supply chain: from the manufacturer of the means of transport and its suppliers to service and leasing companies to the users of the freight cars and containers. Many companies subject themselves to strict requirements by German or international standards in order to comply with ecological goals and also implement Corporate Social Responsibility (CSR) measures.



90% of rail transport performance is electric, 44% of which was generated from renewable energies within Germany in 2017

INVESTMENTS IN THE RAIL MARKET

Transport by rail is comparatively environment and climate friendly. **Harmful Emissions from rail transport are demonstrably many times lower** than those from road transport, aviation and shipping. Freight trains emit only a fraction of the greenhouse gas emissions of carbon monoxide, volatile hydrocarbons and nitrogen oxides, and only a fraction of the particulate matter emissions produced by trucks, aircrafts and inland waterway vessels.

Aves One is a holder of long-life logistics assets with a focus on freight cars. To this end, the management board made the decision in 2019 not to invest further in sea containers. It published a market study in the second quarter of 2020 titled „Strong signals for environmental protection: rail lead the way to the climate goal“.

It is available at the following link:

https://www.avesone.com/downloads/aves_unternehmensinformation_200528.pdf

The study supports its strategy to not further invest in sea containers and to focus on freight cars, where harmful emissions are demonstrably many times lower than in road transport, aviation and shipping. Despite emissions from locomotives, there is no further production from rail cars. However, **90 % of the transport performance in rail transport is provided electrically**, and not by diesel drives.² In addition, the share of renewable energies in electricity generation is increasing continuously. In 2017, it accounted for 44% in Germany. Furthermore, rail companies are not only focusing on electrification. The use of green electricity and the development of alternative drives, such as hydrogen, battery or hybrid models, are also of key importance.³

In long-distance freight in particular, there is no way of transporting goods in a more ecologically sensible way than with rail cars, Aves One's core business. It actively promotes resource-conserving and environmentally friendly transport by rail through our investments in freight cars.

For these reasons, the Federal Republic of Germany and the other European states as well as the European Union are continuously investing funds amounting to billions in the **expansion of rail transport**.

The year 2021 is the „**European Year of Rail**“ and a strong signal from the EU Commission: In its eyes, rail travel & transport must become more attractive and the rail share of total freight transport must be expanded in order to achieve the goals of the **European „Green Deal“**.⁴ „To achieve **climate neutrality**, transport-related **emissions must be reduced by 90% by 2050**,“ is the motto. Therefo-

re, a „substantial part of the 75% share of internal freight transport currently handled by road must be shifted to rail and inland waterways.“⁵

Aves One's fleet is young, state-of-the-art and efficient

With an average age of 16.1 years, **Aves One's rail fleet is younger than the market average**. By comparison, the rail cars' average age of Germany's state-owned rail operator, Deutsche Bahn, is over 30 years old.⁶ **More than 95% of Aves One's freight cars are already equipped with whisper brakes**, which have been mandatory in Germany since the end of 2020. All our freight cars meet the current legal requirements.

Intermodal wagons account for the largest share of the Aves One's portfolio, at around 28%. These are important for the „greening“ of freight transport because they allow a seamless transition of the transport of standard containers or truck semi-trailers between the means of transport (ship, truck, rail). Therefore, we speak of „combined transport“ or „intermodal transport“. This essential advantage plays a major role domestically and internationally in shifting transport from road to rail - especially for longer distances.

Aves One's freight cars were mainly produced in Germany and Eastern European countries within the EU. In this respect, we can assume a **minimum level of social and ecological standards** in line with those of modern industrialised nations. It is especially true, since the EU member states must comply with European law - for example with regard

² <https://www.allianz-pro-schiene.de/themen/umwelt/elektromobilitaet/>, 26.05.2020

³ See „Jetzt verdrängt Wasserstoff auch bei den Zügen den Diesel“, published in „Welt“ on 18.8.2020,

<https://www.welt.de/wirtschaft/article213154274/Klimafreundlicher-Bahnverkehr-Wasserstoff-und-Batterieantrieb-verdraengen-Diesel.html>

⁴ https://ec.europa.eu/commission/presscorner/detail/de/FS_20_363

⁵ <https://eur-lex.europa.eu/legal-content/DE/TXT/HTML/?uri=CELEX:52019DC0640&from=EN>.

⁶ <https://dipbt.bundestag.de/dip21/btd/19/189/1918910.pdf>, 04.05.2020





75%

is the sustainable rail segment in the Aves portfolio

to labour law and social benefits. At the end of their life cycle, freight cars are professionally recycled in accordance with the current regulations. This is recorded accordingly, so that we also assume the greatest possible ecological recycling here.

Private lessors promote the modernisation of rail fleets

In recent years, there has been a trend for rail transport companies to enter into rather short-term contracts with customers, mainly as a result of the rail market's liberalisation. Consequently, they do not make long-term investments in freight and tank cars. In the next few years, high replacement investments will be necessary in Europe due to the high average age of the wagon fleets. These investments are increasingly being made by private lessors. It is not only about more state-of-the-art freight cars. It is also about those that can transport larger volumes and enable more efficient transport overall. Even if the entire rail car fleet is likely to become smaller in the future, the

ton-kilometres transported will continue to increase. This development also supports the sustainability of rail freight transport. The state-owned rail operators invest primarily in infrastructure, such as railways and innovative control systems (ETCS). All market participants are benefiting from this, including private ones. For these reasons, the share of private lessors in the overall market is steadily increasing to fill the gap in demand.

This is exemplified by the figures of Deutsche Bahn's subsidiary, DB Cargo: the freight car fleet has declined from 120,000 to 65,000 rail cars since 2000. The company argues, among others, that it achieves an „improvement in the operational efficiency of freight cars by approx. 15 % to 20 %“ and recycles „freight cars that can no longer be used economically or are no longer demanded“.⁷ In the past, many rail companies declared their fleet as big as possible for „political reasons“. Tens of thousands of freight cars that often only existed on paper, especially in Eastern Europe, have been purged in recent years due to the obligation to register them with the EU authorities.

⁷ <https://dipbt.bundestag.de/dip21/btd/19/094/1909440.pdf>



Since 2017 no solvent
use in container paint

This means for private investors and lessors: since the state-owned rail operators often no longer invest in new, economically and ecologically more efficient rail cars, the necessary renewal of the European fleets is carried out by private companies. Another recent example: DB Cargo have rented freight cars repeatedly from Wascosa AG (Switzerland), a Swiss private asset and rental manager and one of Aves One's most trusted partners. Experts assume that the lessors' freight car stock will continue to grow by 2.2 % to 2.5 % annually.

Outlook: Innovation also exists in the railway

Markets are always evolving. This also applies to rail freight transport, although here market cycles are longer and innovations have corresponding transition periods. Currently, for example, we are discussing **digitalisation projects** and have implemented various (test) systems on many of our rail cars. Actual customer acceptance, **homogenisation** and hoped-for effects on maintenance planning, possible cost reductions, etc. can only be assessed after test phases.

INVESTMENTS IN CONTAINERS AND SWAP BODIES

Compared to the rail market, it is difficult to give a clear yes or no answer to the sustainability of the container or swap body. A container and also a swap body can be transported by rail as well as by road or sea. Moreover, both are not vehicles, but actually just packaging. Historically, the freight car, the container and swap body have brought about an **enormous increase in efficiency in the transport of goods**. This is a very important aspect in the consideration of sustainability development, because the increase in efficiency results in a positive contribution to resource and energy consumption in the long term.

The containers are mainly produced in Asia, primarily in China. In China, labour costs in container production have risen significantly in recent years. In this respect, we assume that **working and wage conditions and social standards for employees have also improved in recent years**.

-40%



reduction of greenhouse gases
emissions (EU target by 2030) –
Freight transport by rail makes
an important contribution

The material costs of a container are relatively manageable. It consists primarily of a steel frame, sheet metal for the walls and the roof. Since 2017, the painting of the containers may only be done with water-based paints, i.e. without solvents. Wooden boards are used for the floor, although there are now alternative lighter steel floors as well as the **development of alternative floors made from recycled material**.

Containers are durable goods: after its 15-year life cycle at sea, the container is partly repaired and used on land, for example as a storage or construction container. Especially when used on land, ecological aspects play an increasing role, as users have become more sensitive in this regard in recent years.⁸

Shipping is gradually becoming more environmentally friendly

In the global movement of goods, cargo ships and, for stackable goods, containers are the most efficient means of transport. Nevertheless, shipping must become more environmentally friendly due to political pressure. Important aspects here are, on the one hand, the **reduction of pollutant emissions** and, on the other, the **reduction of fuel consumption and the development of alternative propulsion systems**. The shipping company Hapag-Lloyd is currently converting a ship to a liquefied natural gas pro-

pulsion system.⁹ The so-called „IMO 2020“ regulation is the first of a series of measures by the International Maritime Organization (IMO) to reduce marine pollution. The use of low-sulphur fuel will be the key solution for shipping and will significantly **improve the industry's environmental footprint**.¹⁰

These processes have been ongoing for many years and are not yet complete. At the beginning of 2020, for example, the regulation came into force that ships may only run on low-sulphur fuel, although the limits are in some cases regulated more strictly on a regional basis than in global transport. Ship designers and shipyards are responding to the changing demands and are not only building larger ships, but also more efficient ones that require less fuel.

For the basic ecological aspects climate and environment in shipping, please refer to the website of the German Ship-owners' Association (VDR):

<https://www.reederverband.de/themen-und-positionen/klima.html>

The International Maritime Organization (IMO) provides very comprehensive information on its website about measures, regulations and technological developments in shipping. The best place to start is here:

<http://www.imo.org/en/OurWork/Environment/Pages/Default.aspx>

⁸ Manufacturers and rental companies are responding to this with appropriate concepts, such as Containex, which produces containers in an environmentally friendly manner with a „Green technology“ certificate. See here: <http://www.containex.at/de/ueber-uns/green-technology>

⁹ See <https://www.hapag-lloyd.com/de/news-insights/insights/2020/01/fuels-as-of-2020---an-overview.html>

¹⁰ <https://www.hapag-lloyd.com/de/about-us/sustainability/imo-2020.html>



ENVIRONMENTAL THINKING AT AVES ONE AG

Aves One is committed to advancing **digitalisation**, making use of its many advantages and thus actively contributing to the protection of the environment by conserving resources. By using **modern means of communication**, we reduce business travel and the use of modern software and hardware reduces our paper consumption („**paperless office**“). We also include ecological aspects in the procurement of office supplies and consumables.

Swap body users also focus on sustainability

Swap bodies are interchangeable load carriers that can be mounted on different carrier vehicles and are mainly used in road transport. One advantage of swap bodies is that they shorten loading and unloading times, so that standing and waiting times can be minimised. They are manufactured in the European Union. Here we naturally assume that **all applicable social and ecological requirements are met.**

The Aves swap bodies are used exclusively in Europe and predominantly in the D-A-CH region. Among the most important tenants of the swap bodies are the logistics and transport service providers DHL and Hermes. These companies are increasingly committing to sustainability criteria.¹¹

¹¹ See <https://www.dpdhl.com/de/nachhaltigkeit/organisation-und-strategie/sustainable-development-goals.html>

3. SOCIAL

Aves One's management board is aware that assuming **social responsibility** and good corporate governance are crucial parameters in the holistic sustainability view. Our employees are valuable and are an essential part of the Aves Group's asset base. Therefore, it is not enough to simply **respect human and workers' rights**. At Aves One, there are fair working conditions, safety at work, diversity in the workforce, equal opportunities, **flat hierarchies** and open communication structures. The working environment is **free from discrimination** and harassment. We invest in the **satisfaction, health and care** of our employees, preventing unnatural staff turnover.

We take the social factors in our company very seriously:

Compliance with **key labour rights**, for example prohibition of child labour and forced labour as well as non-discrimination imperative: Attention is paid to compliance with labour rights not only in the context of the employment contract.

We always pay attention to **equal opportunities and diversity** in all application processes. At the moment, however, the application process focuses exclusively on the competences required for the advertised position and only secondarily on the idea of diversity. There are also targets for the **quota of women**.

High standards of occupational health and safety:

- We provide all employees with workplaces that are regularly checked by a company doctor and safety officer with regard to **health protection and occupational safety**. Consequently, only furniture or office contents that have been tested in accordance with occupational safety are used.
- We have advertised **first aiders and fire protection assistants** along with the necessary notices and documents. There is also an annual fire drill conducted by the building management.
- As a preventive measure, we provide our employees with a common area as well as both a personal trainer and a physiotherapist once a week for **preventive health care**.

Fair conditions at the workplace, appropriate remuneration, regular feedback meetings with supervisors and event-related training are mandatory. In certain cases, home office work is made possible to **promote work-life balance**.



Employee retention and turnover rates:

- **Workplace employee benefits:**
 - Company pension scheme with employer subsidy: Amount of subsidy depends on length of service.
 - Occupational disability insurance: Occupational disability pension also increases with length of service.
 - Company health insurance: reimbursement of up to 1,200 euros of medical expenses per year.
- Regular **team events** promote cooperation and overall social interaction.
- **Bicycles** are offered for all employees as company leasing.

Basic democratic rights such as **freedom of assembly** and **trade unionism** are, of course, unaffected and unrestricted.

Aves One is **socially committed** and donates every year at Christmas to charitable projects and activities. At the same time, we publish a suitable appeal for donations on our website to motivate partners and interested parties to become socially involved as well:

<http://www.avesone.com/engagement/en>

Product responsibility: Freight cars do not emit any emissions by themselves and are therefore CO₂-free. We have one of the youngest and most modern freight car fleets in Europe and to that extent our assets comply with the current legal

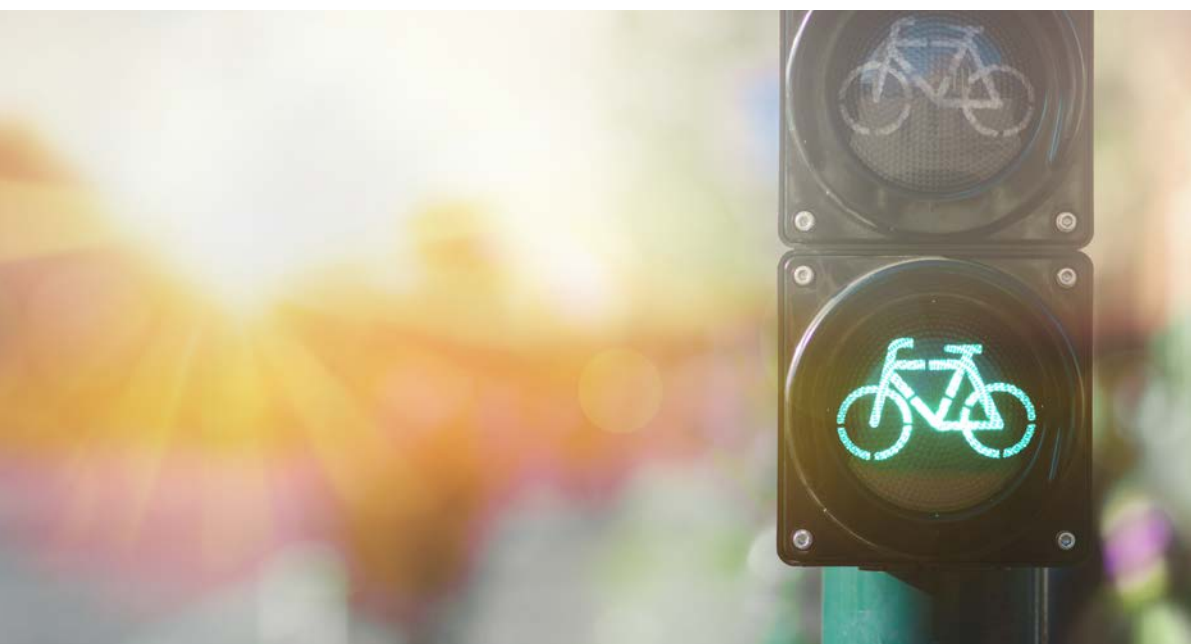
requirements as well as the latest state of the art. This includes the recent retrofitting of our freight cars with noise-emission-reducing brakes, which halves rail noise for people and nature.

The Car Policy of Aves One AG mandates the preferred use of **environmentally friendly company cars**, in particular electric or hybrid vehicles.

Social impact of the product portfolio: Aves One's investments and asset portfolio support the **reduction of environmentally harmful emissions** as well as noise emissions in freight transport.

Our freight cars are mainly produced in Germany and Eastern European countries within the EU. In this respect, we can assume a **minimum level of social and ecological standards among suppliers** according to the standards of modern industrialised nations, especially since the EU member states must comply with European law - for example with regard to labour law and social benefits. At the end of the life cycle, the freight cars are professionally recycled in accordance with the current regulations. This is documented accordingly, so that we also assume the greatest possible ecological recycling here.

Consumer protection and animal welfare: Aves One follows a B2B business model and does not have any business relationships with consumers.



4. GOVERNANCE

Aves One is a listed company and therefore committed to transparency. Internationally recognised accounting standards are applied, and highest standards are applied in **risk management**. The **independent Supervisory Board** ensures that corruption, bribery and fraud are excluded. In addition, the Supervisory Board ensures that the Group does not act in an anti-competitive manner and that **shareholders' rights** are adhered to.

The following overview shows how Aves One implements the corporate governance issues.

Aves One has committed itself to compliance with the **German Corporate Governance Code** and thus responsible **corporate ethics**.¹² Aves One understands corporate governance as a continuous process. The principles are regularly reviewed in the light of new experience, legal requirements and evolving national and international standards, and adapted where necessary. The declaration of compliance is renewed once a year.

Annual training sessions are held as part of the compliance management system to ensure adherence to the compliance guidelines.

Aves One maintains an open, transparent and integrity-based organisational structure to **prevent corruption and bribery**.

Targets have been set for the **quota of women** on the Supervisory Board and Management Board. Apart from the board level, there are no management levels in the company. In the

event that further management levels are established in the future, the Management Board has already set precautionary targets for the quota of women in the two management levels below the Management Board.

We are currently setting up a remuneration system for the Management Board in which the **variable remuneration is based on long-term targets**. A separate link to the achievement of sustainability targets is obsolete, as the Aves One business model itself is sustainable.

Dealing with whistle blowing: We are currently setting up an extended compliance management system, including a **whistleblower system**, in addition to the existing detailed data protection policy.

The **shareholder structure and compliance with shareholder rights** are always transparent, not least because Aves One AG is listed on the stock exchange.

The **Supervisory Board is independent** and consists of knowledgeable individuals (shareholder representatives, auditors, lawyers, industry experts). The members act completely free in their decisions and without conflicts of interest, for example from political obligations.

Aves One is **fiscally transparent** and does **not maintain accounts in tax havens**. Some of Aves One AG's subsidiaries operate out of a municipality, of which 75% of the business tax is used for the **preservation and growth of the forest and thus for environmental and climate protection**.

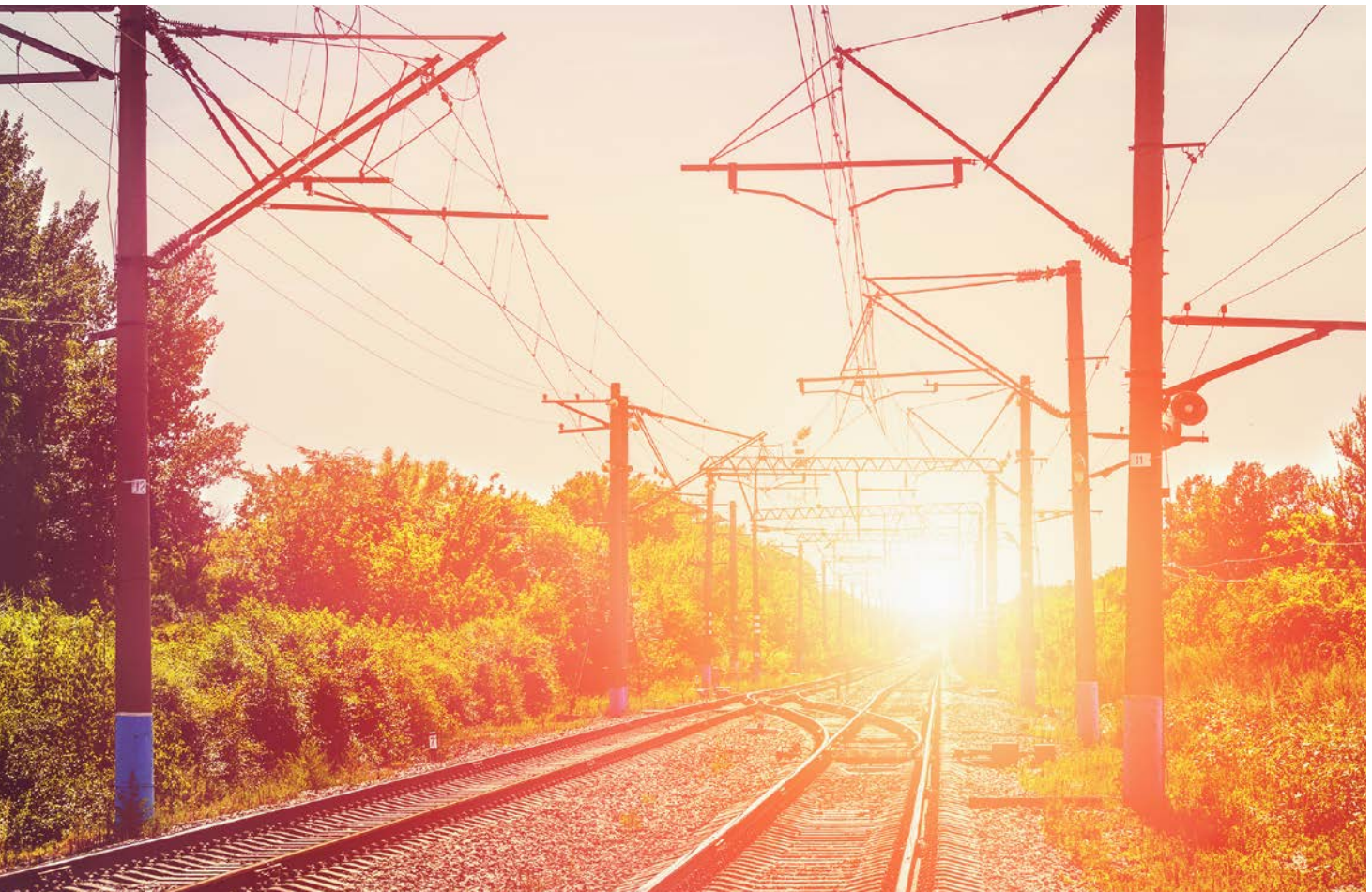
¹² For further information click: https://www.avesone.com/de/aves_investoren_cg_kodex.php

5. SUMMARY

This sustainability report shows that Aves One's business model meets the key Environmental Social and Governance (ESG) criteria, both in environmental and social terms, as well as in corporate governance. Therefore, the Aves One busi-

ness model with its focus on the climate-friendly transport mode of rail can be described as sustainable.

Hamburg, 5 February 2021



IMPRESSUM/DISCLAIMER:

This publication is corporate information of Aves One AG.

Editorial office: Aves One AG, Große Elbstraße 61, 22767 Hamburg, Germany.

Further publications and the company presentation of Aves One AG are available on the website www.avesone.com.

This publication is for information purposes only. The company information is not suitable to serve as a basis for a concrete investment decision. The provision of the company information does not constitute a contractual obligation or any other liability towards the recipient or third parties. Although the greatest possible care has been taken in the preparation of this corporate information, changes, errors and omissions are reserved. Percentages and figures in this corporate information may be subject to rounding differences.

AVES ONE AG

Große Elbstraße 61 • 22767 Hamburg

Fon 040 / 696 528 - 350

Fax 040 / 696 528 - 359

info@avesone.com • www.avesone.com