

# 2. Combined Management Report 2022/2023 of the KWS Group

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## 2. Combined Management Report

The Combined Management Report comprises aspects of sustainability reporting in addition to content related to financial reporting. Our objective is to illustrate the relationship between ecological, social and financial factors and highlight their impact on our long-term commercial success. The contents of the Non-Financial Declaration (see page 48 onward) have been restructured and summarized in this report and geared toward the European Sustainability Reporting Standards (ESRS) to be applied starting in fiscal 2024/2025. In addition, reference is made to the report aspects required pursuant to Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB). The contents of the Non-Financial Declaration were not audited as part of the audit of the annual and consolidated financial statements, but underwent a voluntary external examination by an auditor. The Combined Management Report also includes voluntary components that are not audited separately. These are indicated by footnotes.

### 2.1 Fundamentals of the KWS Group

#### 2.1.1 Business Model

Since it was founded in 1856, KWS has specialized in breeding, producing and distributing high-quality seed for agriculture. From its beginnings in sugarbeet breeding, KWS has evolved into an innovative, international supplier with a broad portfolio of crops. The company covers the complete value chain of a modern seed producer that focuses on sustainable agriculture – from developing new varieties, propagation and processing, to marketing of the seed and consulting for farmers. KWS' core competence lies in breeding new, high-performance varieties that are adapted to regional needs, such as climatic and soil conditions, and use fewer resources, such as water and fertilizer. Targeted breeding of resistances against fungi or viruses, for example, also enables a significant reduction in the use of chemical pesticides in agriculture. Every new variety delivers sustainable added value for our customers. KWS' business model is based on this added value – which is ultimately attributable to breeding progress, optimization of seed quality and pinpointed consulting.

#### Organization and segments of the KWS Group

In the year under review, the KWS Group's operational business consisted of five Business Units, which were grouped in the four product segments Corn, Sugarbeet, Cereals and Vegetables. The Business Units Sugarbeet, Cereals

and Vegetables are identical to the segments of the same name. The Corn Segment contains the Business Unit Corn Europe/Asia and the Business Unit Corn Americas.

The **Corn Segment** covers breeding, production and distribution of seed for corn and sunflowers, as well as production and distribution of soybeans. Its operating performance depends largely on the spring sowing season in the northern hemisphere. That means the lion's share of the segment's net sales is generated in the second half of the fiscal year (January to June). The segment generates further revenue in the first two quarters, mainly from corn and soybean seed in South America. KWS is the market leader for silage corn in Europe.

The **Sugarbeet Segment** comprises sugarbeet seed breeding, production and distribution, as well as the development of diploid hybrid potatoes. KWS' high-quality sugarbeet varieties are consistently some of the highest-yielding in the industry. KWS is the world market leader in sugarbeet seed, not least thanks to many innovations. Its main sales markets are the European Union, Eastern Europe, North America and Turkey. Sugarbeet is sown in the spring, which means that net sales in this segment are likewise largely generated in the second half of the fiscal year (January to June).

The **Cereals Segment** includes the breeding, production and distribution of seed for rye, wheat, barley and oilseed rape. Rye accounts for the largest share of revenue from cereals (around 40%), followed by oilseed rape, wheat and barley. KWS also generates revenue from other crops such as sorghum, peas, catch crops (e.g., mustard) and oats. Farmers in KWS' core markets (Germany, Poland, the UK, France and Scandinavia) predominantly sow cereals seed in the fall. Consequently, the segment generates most of its revenue in the first half of the fiscal year (July to December).

The **Vegetables Segment** comprises vegetable seed breeding, production and distribution. KWS is the world leader in spinach seed. Its portfolio also includes seed for beans, Swiss chard, red beet and tomatoes. The segment generates just about half its revenue in the U.S. KWS' strategic objective is to build a significant position in the vegetable seed market long-term. Our focus apart from spinach is on the world's five most important crops in this segment: tomatoes, peppers, cucumbers, watermelons and melons.

Apart from the operating segments, there is also **Corporate**, a segment which by and large does not conduct any operational activities. Its relatively low net sales come from the revenue from our own farms in Germany, France and Poland. Since the KWS Group's basic research expenditure and costs for administrative functions are charged to the Corporate Segment, its income is usually negative.

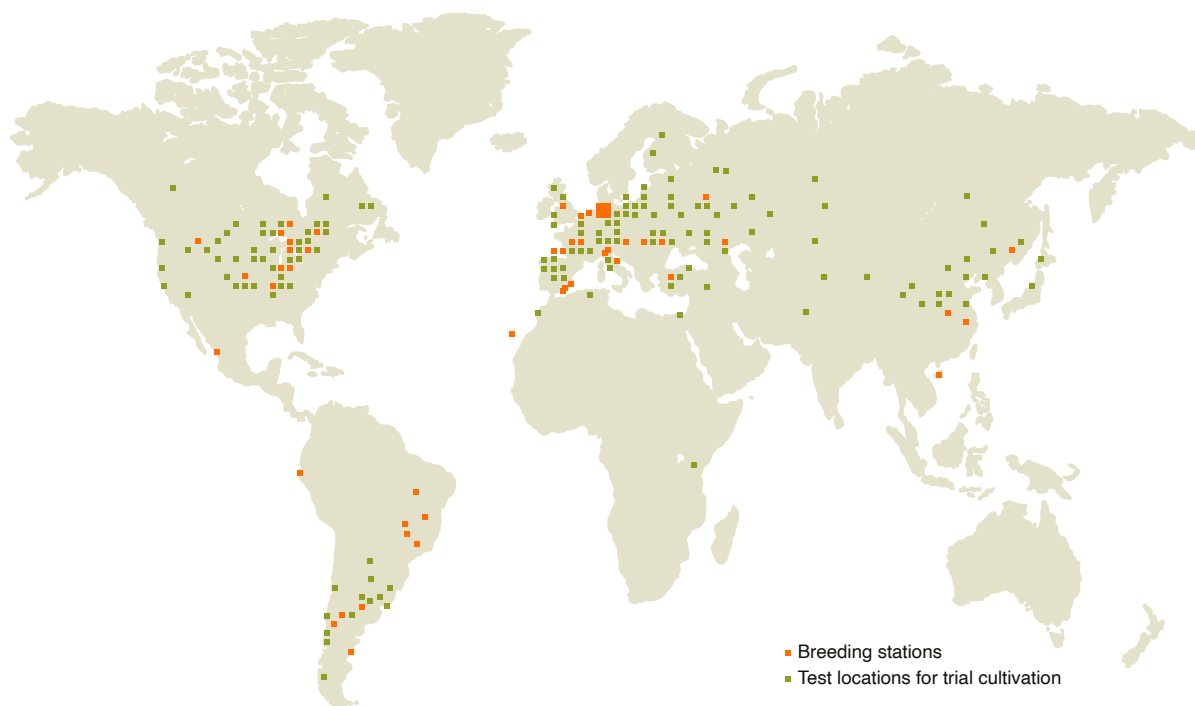
There were no significant changes in the KWS Group's composition and organization in the year under review. More details on the net sales and income contributed by the segments, including our joint ventures, can be found in our segment reports starting on [page 37](#).

#### **Main business processes**

KWS' breeding processes are geared toward exploiting plants' potential as much as possible and leveraging that potential to tackle the major challenges of modern sustainable agriculture. Whether it is plants for producing food, fodder or energy, conventional, organic or genetically modified: KWS offers its customers a broad portfolio of high-performance varieties. It takes an average of eight to ten years to breed a new variety. Thanks to its large network of breeding and trial stations in all the world's key markets, the company can develop the individual candidates for a wide range of climatic and local conditions and test whether the varieties are suitable for cultivation. In most markets, variety development ends in an official approval process in which candidates have to meet high quality standards, usually in three-year field trials. Seed propagation in selected cultivation regions also takes up to two years. Only then can the varieties be marketed via the various distribution channels.

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## Breeding and test activities of the KWS Group in over 70 countries



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### 2.1.2 Branches

KWS SAAT SE & Co. KGaA is the parent company of the KWS Group. Strategic management of all of KWS' global activities is pooled under its roof. It is headquartered in Einbeck, Germany, and controls breeding of the KWS Group's range of varieties. There are also currently 88 subsidiaries and associated companies in 34 countries. An overview of our subsidiaries and associated companies can be found in the Notes on [pages 159 to 161](#).

### 2.1.3 Vision and Mission<sup>1</sup>

#### Vision

**"Seeding the future for generations."**

Our vision comprises all of KWS key values. With foresight, we shape a sustainable future, staying close to generations of farmers and serving as a trusted, reliable partner to all our customers while staying an independent company.

#### Mission

**"Our passion for plants sustains farming, food and planet."**

We are convinced that we can make a difference with our specialization in plant breeding and seed. We are passionate about breeding and research – and we optimize the potential of plants and varieties in order to contribute to increasing sustainability in agriculture year after year.

Apart from continuous improvements in yield, we provide solutions by delivering varieties with relevant traits such as improved drought tolerance and less need for pesticide and help agriculture successfully tackle future challenges.

KWS' seed is at the beginning of the food chain – and therefore makes an important contribution throughout the agricultural production process. End consumers are also a growing focus:

<sup>1</sup> Not an audited part of the Combined Management Report

What variety traits are important for processing and the end product, and how can plant breeding help improve them? Last but not least, our work also has an impact on the environment as a whole: Reducing inputs such as pesticide or water, innovations also for areas such as alternative energies and of course the efficient use of available land all make a contribution to the agriculture of the future.

Our services (in the shape of consulting and by means of digital tools) help farmers get the most out of our seed on healthy soils. Our broad and growing portfolio of crops and vegetables lay a foundation for maintaining biodiversity on fields. In this way, our work makes a key contribution every day to supplying the world's growing population with good food.

#### 2.1.4 Objectives and Strategy

Our strategic planning is the foundation for the KWS Group's further development. It defines strategic objectives, initiatives and core measures for existing activities and for potential new fields of business. The planning is based on a long-term horizon (ten years) and includes an analysis and assessment of market trends, competitors and the KWS Group's position. The strategic planning is updated regularly.

As part of the strategic planning, we have honed our fundamental business model and the strategic contributions a seed company makes to these future topics with regard to long-term megatrends and classified them into fields of activity that are to generate KWS' future growth:

**Sustainable Agricultural Practices:** products, processes and services that address climate change and promote sustainability in agriculture

**Connected Seeds:** solutions that generate added value for farmers by linking our seed with digital offerings

**Future Sales Models:** more digital offerings to expand distribution channels and enable personalized addressing of customers

**Nutritional Food Ingredients:** innovations for the growing market of vegetable proteins as the basis for sustainable food.

#### Corporate objectives of the KWS Group

Sustainable solutions for agriculture have always been the foundation and driver of our business model. We use them as the basis for deriving our objectives, which form the framework for all divisions and strategic decisions: profitable growth, innovation, independence and sustainability. Our business developed largely in line with our strategic objectives in the year under review. We deal with this and other details of achievement of our objectives in the respective sections, which are referred to in the table on the corporate objectives.

## The KWS Group's medium- and long-term objectives

Main strategic subject areas		Explanation
Profitable growth	<ul style="list-style-type: none"> <li>An average increase in consolidated net sales of at least 5% p.a.<sup>1</sup></li> </ul>	Page 30 et seq.
	<ul style="list-style-type: none"> <li>EBIT margin <math>\geq 10\%</math></li> </ul>	Page 30 et seq.
	<ul style="list-style-type: none"> <li>A dividend payout ratio of 20% to 25% of the KWS Group's earnings after taxes</li> </ul>	Page 157 (Notes)
Innovation	<ul style="list-style-type: none"> <li>R&amp;D intensity of around 17% of consolidated net sales</li> </ul>	Page 26
Independence	<ul style="list-style-type: none"> <li>Retention of a control structure shaped by the family owners</li> </ul>	Page 92 et seq.
Sustainability	<ul style="list-style-type: none"> <li>Implementation of the KWS Sustainability Ambition 2030</li> </ul>	Page 48 et seq. (NFD) and Sustainability Report 2022/2023

<sup>1</sup> On a comparable basis, excluding exchange rate and portfolio effects

### Profitable growth

is vital for our future development. Long-term profitable growth ensures we can retain our commercial freedom of action. We strive to increase consolidated net sales by an average of at least 5% p.a. and achieve an EBIT margin (EBIT/net sales) of at least 10%.

### Innovation

drives our business model. The need for innovative technology in plant breeding continues to increase. Climate change, significant population growth and changes in eating habits, where alternative protein sources are growing in importance, pose challenges for us. In addition, digitization is playing a greater and greater role in agriculture. In the year under review, we devoted around €314 million to research and development, and thus once again a significant share of our net sales. We are tackling these challenges with this spending and regard it as an investment in future growth.

### Independence

has always been a key corporate objective for KWS. It is part of the shared values held by our customers and employees. Our independence and long-term orientation enable us in particular to invest in research and breeding projects with an eye to the future.







### Sustainability

is and always will be both an obligation and an opportunity for us. Agriculture faces huge challenges globally. They include the world's growing population, increasingly severe consequences of climate change, and the preservation of biodiversity and natural resources. Innovations in plant breeding play a key role in tackling these challenges.

With our KWS Sustainability Ambition 2030, we clearly define the framework for the focus of KWS' sustainable development – economically, ecologically and socially – in the coming years.

Guided by the principle that “sustainability in agriculture begins with seed” we pursue these concrete goals:

**Sustainability starts with the seed**

Product impact	
 <p><b>Safeguard food production</b></p> <ul style="list-style-type: none"> <li>1.5% annual yield gain for farmers through progress in plant breeding and digital farming solutions on &gt;8 million hectares</li> </ul>	 <p><b>Minimize input required</b></p> <ul style="list-style-type: none"> <li>Enable &gt;80% reduction of chemical crop protection (in line with European Farm to Fork Strategy)</li> <li>Invest &gt;30% p.a. of R&amp;D budget into reduction of inputs</li> <li>&gt;25% of KWS varieties are suitable for low input cultivation</li> </ul>
 <p><b>Enhance crop diversity</b></p> <ul style="list-style-type: none"> <li>Increase number of crops with dedicated breeding programs from 24 to 27</li> </ul>	 <p><b>Support sustainable diets</b></p> <ul style="list-style-type: none"> <li>&gt;40% of KWS varieties are suitable for predominantly direct use in human nutrition</li> </ul>
Corporate responsibility	
 <p><b>Improve operational footprint</b></p> <ul style="list-style-type: none"> <li>Reduce Scope 1 and 2 emissions by 50% by 2030 and to net zero by 2050</li> <li>Establish score cards to provide transparency on ecological footprint of all seed production sites</li> </ul>	 <p><b>Foster social engagement</b></p> <ul style="list-style-type: none"> <li>Min. 1% EBIT p.a. into social projects</li> <li>Measurement and continuous improvement of employee engagement</li> <li>Continuous decline in the number of occupational accidents/fitness ratio</li> </ul>

We refer you to the Non-Financial Declaration starting on page 48, the Sustainability Report 2022/2023 and our homepage [www.kws.com](http://www.kws.com) for details of our sustainability program.

### 2.1.5 Control System

Detailed annual and medium-term operational plans are used to control the Group and our Business Units. The medium-term plan covers the time frame of the annual plan and the three subsequent fiscal years. It is thus an anchor point for our strategic planning, which covers a timescale of ten years.

The targets set in the annual planning (“top-down target”) are arrived at on the basis of the strategic planning, results achieved, regional economic and legal situation, anticipated macroeconomic trends and assessments of the company’s position in the market and the potential product performance. In a subsequent bottom-up process, which also includes the development of our joint ventures, we use these premises to plan figures for sales volumes and net sales, breeding activities, production capacities and quantities, the allocation of resources (including capital spending and personnel), the level of material costs and internal charge allocation and the resultant balance sheet data, along with the financial budget. In principle, part of the planning documentation is also an opportunity/risk assessment that every manager must conduct for his or her unit.

The planning is compared every quarter with the company’s actual business performance and the underlying general conditions. If necessary, we initiate suitable countermeasures and make adjustments. We update the forecast for the current fiscal year at the end of every quarter. At the end of each fiscal year, all the units conduct a detailed variance analysis of the planned and actual results. It serves to optimize the quality of our planning assumptions.

Controlling is responsible for coordinating and documenting all planning processes and our current expectations. It reports on compliance with adopted

budgets and analyzes the efficiency and cost-effectiveness of business processes and measures. Business Partner Controlling and Finance also advise our decision makers on economic optimization measures. In particular, the heads of the product segments, the regional directors and the heads of research and breeding activities and the central functions are responsible for the content of the planning and current forecasts.

The Executive Board uses various indicators for planning, controlling and monitoring the business performance of the KWS Group and its operating units. The main indicators for the KWS Group are net sales, EBIT margin (operating income in % of net sales) and R&D intensity.<sup>1</sup> The focus in controlling the development of net sales is exclusively on key operating indicators for our business, in particular the development of sales volumes and prices of our product portfolio. Forecasts of our net sales development are therefore based on these key indicators, while exchange rate and portfolio effects (significant acquisitions and divestments) are not taken into account. Currency effects are the difference between the sales of reporting period at exchange rates of the reporting period minus the sales of the reporting period at exchange rates of the comparative period.

In addition to these financial indicators, KWS will increasingly include non-financial KPIs (such as CO<sub>2</sub> emissions) in planning and controlling its business activities in the future. KWS’ product segments, which are divided into Business Units, are in turn geared toward the main indicators of net sales and EBIT margin. All cross-segment costs for the KWS Group’s central functions and research expenditure are charged to the Corporate Segment; the key performance indicator for controlling here is EBIT (operating income).

<sup>1</sup> R&D expenditure as a % of net sales.



## Management and control

The company is a partnership limited by shares (KGaA). The personally liable partner is responsible for the tasks of running the business of a partnership limited by shares. The company's sole personally liable partner is KWS SE, whose Executive Board is therefore responsible for management of the company's business.

The rights and obligations of the Supervisory Board at a partnership limited by shares differ greatly from those at a stock corporation (AG) or a European Company (Societas Europaea or SE). In particular, the Supervisory Board at a partnership limited by shares does not hold personnel responsibility as regards management; moreover, it cannot appoint any further personally liable partners and define the contractual terms and conditions for them, enact bylaws for the Executive Board, or define business transactions requiring its consent.

The Annual Shareholders' Meeting of a partnership limited by shares basically has the same rights as the Annual Shareholders' Meeting of a stock corporation or SE. It also adopts resolutions on whether to approve the company's annual financial statements and ratify the acts of the personally liable partner. Certain resolutions adopted by the Annual Shareholders' Meeting of a partnership limited by shares also require the approval of the personally liable partner. The declaration on

corporate governance in accordance with Section 289f of the German Commercial Code (HGB) contains detailed information on the extensive and close cooperation between the Executive Board and the Supervisory Board and has been published at [www.kws.com/corp/en/company/investor-relations/corporate-governance](http://www.kws.com/corp/en/company/investor-relations/corporate-governance).

### 2.1.6 Fundamentals of Research & Development

Innovation at KWS is driven by research and development. KWS' objective is to create high-performance varieties that meet various environmental and application requirements and deliver continuous value added to farmers. Plant breeding is a very research-intensive and long-term business. It takes an average of eight to ten years to develop a new, high-performance variety.

Using state-of-the-art breeding methods, KWS has generated steady yield progress for decades and supports agriculture with solutions to tackle future challenges – for example, through varieties that boast improved drought tolerance or need less pesticide. The company also increases genetic diversity, which is vital to improving crops, through its breeding work on plants. We contribute to sustainable agriculture by continuously improving yields, minimizing the use of resources and increasing varietal diversity and play a key role in supplying people with food.

## 2.2 Research & Development Report

### Key research & development figures

		2022/2023	2021/2022	+/-
R&D employees <sup>1</sup>	ø	1,897	1,834	3.4%
Share of R&D employees relative to the total workforce	in %	35.7	35.8	-
R&D expenditure		314.2	277.2	13.3%
R&D intensity <sup>2</sup>	in %	17.3	18.0	-
Variety approvals <sup>3</sup>		488	486	-

<sup>1</sup> Average headcount

<sup>2</sup> As a % of net sales

<sup>3</sup> Previous year's figure adjusted

### Breeding low-input varieties for sustainable agriculture

One of the core goals of the Farm to Fork Strategy under the EU's "European Green Deal" is to reduce the use of chemical pesticides in Europe by 50% and fertilizer use by 20% by 2030. As a seed specialist, we help address these demands on farming by breeding new varieties that absorb nutrients more efficiently or are more resistant or tolerant to diseases and other environmental influences. By 2030, more than a quarter of our variety portfolio is to comprise low-input varieties that deliver stable yields despite a low supply of nutrients or reduced use of chemical pesticides.

As part of its efforts to enable this, KWS creates stable testing systems to determine disease and feeding damage to our crops. Such systems are vital for reliably testing the genetics of our plants for tolerance or resistance to diseases and pests. Developing these systems entails high research

costs, since they must be tailored to the individual living conditions of the pests. KWS can now draw on more than 40 testing systems for resistance breeding, while another testing platform for the cabbage stem flea beetle is currently under development – an important step in breeding oilseed rape varieties that are tolerant to this major pest.

To advance the development of drought-tolerant varieties, we rely on, and are continuously expanding, technologies for analyzing and measuring plant traits. KWS has developed a fully automated system for phenotyping in the greenhouse in the shape of the "PhenoFactory," which is around 470 square meters in size. Using cameras and sensors, the system can measure 25 different attributes, such as leaf moisture or water consumption. Among other things, this enables us to determine how efficiently the plants use water – a key parameter in ascertaining how a plant reacts to drought.

**Vegetables: Expansion of laboratory capacities, use of new seed technology, development of heat-tolerant bush beans**

We inaugurated new research facilities at the headquarters of our Business Unit Vegetables at Wageningen, in the Netherlands, in February 2023. The premises, which cover an area of almost 450 square meters, offer space for labs and culture rooms for cultivating plants. Expansion of laboratory capacities is an important step in speeding up and enhancing quality in the development of new vegetable varieties. The focus is on producing doubled haploids for hybrid breeding of cucumbers and peppers. This method enables KWS to respond more quickly to increasing demands relating to quality, taste, disease resistance and yield stability, since the breeding process is accelerated significantly.

KWS INITIO is a new technology for seed treatment that has so far only been used for arable crops. By leveraging synergies between crops, we now enable vegetable seed to benefit from this development. Thanks to a nutrient treatment, seedlings are able to form more roots faster and better absorb the resources available in the soil. This more intensive root development means these plants are also able to react with greater resilience to stresses such as nutrient deficiency or drought later in their development. KWS has offered KWS INITIO for bean seed and spinach seed in Europe and Turkey since January 2023.

Heat waves cause problems in bush bean cultivation in some regions. If night temperatures do not fall below 20 °C during flowering, the pods will be of poorer quality and the plants will deliver a lower yield as a result.

Over a period of around 15 years, we have bred heat-tolerant bean varieties – our Magma Collection – that provide growers with reliable yields even when night temperatures are high. The heat-tolerant beans were first launched successfully in the U.S., but we also see further market potential in Italy and northwestern Europe.

**Sugarbeet: Development of tolerant and resistant varieties is growing in importance**

In addition to safeguarding and increasing yields, the development of varieties that are also resistant or tolerant to pests is increasingly important in sugarbeet breeding. Pests are spreading further and further into cultivation regions – partly due to climate change – and are significantly reducing farmers' yields.

A relatively new sugarbeet disease is the “syndrome basses richesses” (SBR), which is a growing threat in Germany and Switzerland, in particular, and in some cases causes considerable losses in yield. The disease is caused by pathogens transmitted by the planthopper *Pentastiridius leporinus*. There are at present no known effective chemical or agronomic measures to combat SBR. The disease

results in dramatically lower sugar content and reduces beet yields by up to 25%. KWS responded immediately by establishing testing systems so that it can press ahead with developing adapted varieties in a pinpointed manner. A first variety called JOSEPHINA KWS boasting good yields under conditions where crops suffer from SBR infestation was awarded approval in 2022. Further variety candidates with very good suitability for regions infested with SBR are undergoing official approval in Germany and Switzerland. In addition, we are continuously working to identify and cross in further resistance traits in order to further improve the tolerance of KWS' sugarbeet varieties to SBR.

#### **Corn: Diversity of genetic resources is a key success factor**

Genetic diversity is the most vital prerequisite for breeding new varieties and adapting them to different environmental conditions. Thanks to its corn breeding activities since the 1950s, KWS has built up a large diversity of its own breeding material for various markets. This genetic diversity was again significantly expanded in 2012 when the company began breeding for the tropical and subtropical market in Brazil. As a result, our breeders have with an ever-increasing pool of genetic resources to complement the breeding programs for different markets.

We breed corn, a crop that boasts great adaptability to local conditions, in different climatic regions. We maintain breeding programs in Germany, France, Italy and southeastern Europe, for example. Corn must be adapted to dry conditions for markets in

southeastern Europe. Here we were able to draw on the broad diversity of the breeding material we created in France in variety development and leverage it to develop products in southeastern Europe. Systematic selection under drought stress conditions has enabled us to develop KWS BANATO and KWS FASCINATO (approval: spring 2023), varieties that are leaders in terms of drought stress in this important market.

#### **Barley: First hybrid varieties submitted for approval**

As part of its research strategy, KWS launched a program aimed at developing hybrid barley in 2016. Hybrid breeding is a special form of variety development, in which two homozygous lines are crossed with each other. The progeny are called hybrids and usually perform better and boast greater resistance. We are now leveraging this effect for barley. The hybrids offer farmers the advantage of stable development thanks to better adaptability – even in dry years, for example – and thus greater yield security. In addition, hybrid barley makes weed management easier thanks to its rapid development in the juvenile phase.

In the past fiscal year, we achieved an important milestone in the development of hybrid barley: In the fall of 2022, the first variety candidates were submitted for approval in the UK and Germany. Further varieties are being developed and will be submitted for approval in the fall of 2023. The core markets for hybrid barley are the UK, Germany and France.



Sunflowers play an important role in oil production and in agricultural crop rotation.

### **Sunflower: Ten new varieties undergoing approval**

In 2010, KWS made the strategic decision to expand its portfolio to include sunflower, since this crop plays a major role in oil production in particular. The aim is to develop competitive varieties for the markets in southeastern and Eastern Europe based on a breeding program of our own. Sunflower is grown on an area of more than 20 million hectares in these regions and thus plays a key role in crop rotation. It will also gain in importance in the future against the backdrop of climate change, as the sunflower's root system enables it to cope particularly well with drought.

KWS established a sunflower breeding station in Hungary in 2014. Breeding benefited from the technological infrastructure at our largest R&D location in Einbeck, for example in relation to the application of modern marker technology. In addition, we have been able to propagate several generations of sunflowers per year at our breeding stations in South America. As a result, KWS was able to submit the first sunflower varieties from its own breeding program for approval in several countries in the year under review.

## 2.3 Economic Report

### 2.3.1 Business Performance

#### General macroeconomic conditions

The restrictive measures in connection with the coronavirus were largely lifted in many countries in the course of 2022. In Europe and the U.S., economic output continued to recover, albeit less dynamically than in the previous year.

Inflation declined in the period under review, mainly due to falling energy prices, but at the end of the period under review was 5.5% in the eurozone and 3.0% in the U.S. and thus still above the targets set by the ECB and the Fed. As a result, they raised key interest rates several times in significant increments during the period under review.

The export-driven economy of Brazil, one of our main markets in South America, benefited from rising demand for raw materials in China in the wake of the extensive abolition of the measures imposed to prevent the spread of the coronavirus. In Argentina, a drought-related slump in production slowed economic recovery.

KWS' international orientation means that changes in exchange rates impact our key economic figures. The following overview shows the changes in the most important currencies for KWS relative to the euro:

#### Exchange rates for main currencies

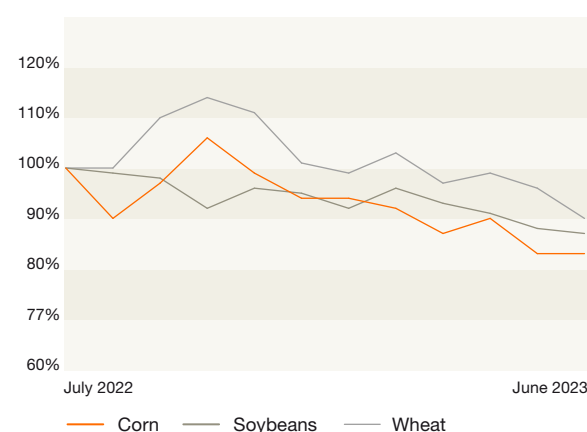
	Rate on balance sheet date	
	06/30/2023	06/30/2022
Argentina	280.14	131.27
Brazil	5.22	5.51
UK	0.86	0.86
Russia	95.11	53.86
Turkey	28.15	17.52
Ukraine	40.00	30.78
USA	1.09	1.05

#### General conditions in the agricultural sector

The agricultural sector again faced numerous challenges in the year under review, also as a repercussion of Russia's invasion of Ukraine, two countries that are globally important producers of agricultural raw materials. Future harvests and sowing will continue to be significantly hampered in Ukraine as long as this conflict persists. After prices for key agricultural raw materials such as corn, soybean and wheat had reached long-term highs in the previous year, they declined – in some cases significantly – during the period under review, also thanks to the agreement between Ukraine and Russia on the shipment of grain via the Black Sea ("Black Sea Grain Initiative"). This agreement was unilaterally terminated by Russia after the period under review, namely in July 2023.

In addition, the agricultural sector was again affected by the impacts of climate change. Weather extremes such as prolonged drought and flooding again led to lower harvests and to losses in seed production for the 2023 sowing season in parts of Europe and South America. In light of the above factors, average sales prices for seed in the markets relevant to KWS rose, in some cases sharply.

#### Commodity price data



Source: World Bank

## Guidance versus actual business performance of the KWS Group

	Results in 2021/2022	Guidance for 2022/2023	Adjustments to the guidance during the year			Results in 2022/2023
			Annual Report 2021/2022	3M Quarterly Report	Half-Year Report	
Net sales growth <sup>1</sup>	€1,540 million	7–9% <sup>1</sup>	10–12% <sup>1</sup>	12–15% <sup>1</sup>	upper end of range	€1,820 million; 19.5% <sup>1</sup>
R&D intensity	18.0%	18–20%	18–20%	18–20%	18–19%	17.3%
EBIT margin	10.1%	10–11%	10–11%	10–11%	11–12%	12.2%

<sup>1</sup> Sales growth on comparable basis (excluding currency and portfolio effects)

### Guidance versus actual business performance of the KWS Group

Due to the overall economic and sector-specific developments, in particular a sharp rise in inflation, there were significant changes to our estimates for 2022/2023 as a whole in the course of the year. They can be seen in the table below.

Given our pleasing and better-than-expected business performance, particularly during the important spring sowing season, the Executive Board raised the guidance for fiscal 2022/2023 and published inside information to this effect pursuant to Article 17 of Regulation (EU) No. 596/2014 on May 3, 2023. The Executive Board had previously raised its guidance for anticipated net sales growth at the time of publication of the Q1 Report and the Half-Year Report for 2022/2023.

The KWS Group's net sales rose sharply by 18.2% to €1,819.8 million. Consolidated net sales increased by 19.5% on a comparable basis (excluding exchange rate and portfolio effects), surpassing the revised guidance we had issued during the year. The R&D intensity was 17.3% and was below the forecast range of 18% to 19% that we revised during the year, mainly due to the sharp increase in net sales.

The EBIT margin was 12.2%, slightly above the forecast range we revised during the year. The positive variance is mainly due to higher sales prices and a more favorable product mix compared to our original assumptions.

All in all, the Executive Board believes that the KWS Group's business performed favorably in the year under review.



### Summary of the segments' course of business and comparison with the guidance<sup>1</sup>

Net sales in the **Corn Segment** rose sharply by 11.9% to €1,046.8 (935.4) million, in particular as a result of higher sales prices in our core markets of Brazil and Europe. Net sales increased by 18.2% on a comparable basis (excluding exchange rate and portfolio effects) and were thus in line with our guidance ("sharp increase").

However, the segment's income fell sharply to €45.8 (57.2) million. This was mainly attributable to negative contributions to earnings from our joint ventures in North America and China, while we grew earnings in Europe and Brazil. The segment's EBIT margin fell accordingly from 6.1% to 4.4% and was thus in line with the guidance we revised during the year ("slightly down from previous year").

Net sales at the **Sugarbeet Segment** rose by 21.7% to €716.3 (588.4) million. Net sales increased by 21.1% on a comparable basis (excluding exchange rate and portfolio effects) and were thus in line with our guidance ("sharp increase"). The significant expansion of business is attributable to the market success of innovative CONVISO® SMART and CR+ varieties. The Sugarbeet Segment's EBIT margin rose to 35.4% (33.1%) and was thus in line with the guidance we revised during the year ("slight increase compared to the previous year").

Net sales in the **Cereals Segment** rose sharply by 19.1% to €257.8 (216.4) million. This corresponds to an increase of 18.3% on a comparable basis (excluding exchange rate and portfolio effects) and was thus in line with our guidance ("sharp increase"). This positive trend was mainly driven by growing business in oilseed rape, rye and wheat seed. The segment's EBIT margin rose to 15.6% (13.6%) and was thus in line with the guidance we revised during the year ("slight increase compared to the previous year").

Net sales in the **Vegetables Segment**, in which the activities of Pop Vriend Seeds, the vegetable seed company acquired effective July 1, 2019, are consolidated, increased sharply by 21.5% to €66.0 (54.3) million in the year under review. This corresponds to a rise of 26.2% on a comparable basis (excluding exchange rate and portfolio effects) and was thus in line with our guidance ("sharp increase"). The expansion in business was mainly due to growth in our most important product categories of spinach and bean seed.

As a result of the positive course of business and lower negative effects from the purchase price allocation as part of company acquisition, the segment's income improved to €-11.8 (-18.5) million. At the same time, the segment's income was impacted by a sharp increase in expenditure on the planned expansion of our breeding activities. Its income was also reduced as a result of exchange rate effects. Excluding effects from the purchase price allocation as part of company acquisitions, the segment's income was €-0.6 (0.6) million. The (adjusted) EBIT margin was -0.9% or slightly below the figure for the previous year (guidance: "slight increase compared to the previous year").

Revenue (albeit slight) from our farms in Germany, France and Poland is grouped in the **Corporate Segment**. Since all cross-segment costs for the KWS Group's central functions and research expenditure are still charged to the Corporate Segment, its income is usually negative. The segment's income fell sharply to €-115.3 (-97.7) million due to higher expenditure on research and administration and was thus in line with our guidance ("around €-110 million").

<sup>1</sup> Including equity-accounted companies. Details on the segments' business performance and their economic environment can be found in the segment reports.



## 2.3.2 Earnings, Financial Position and Assets

### Earnings

#### Condensed income statement

in € millions	2022/2023	2021/2022	+/-	
Net sales	1,819.8	1,539.5	18.2%	
EBITDA	318.2	252.4	26.1%	
EBIT	222.8	155.1	43.6%	
Net financial income/expenses	-47.1	-16.9	<-100%	
Earnings before taxes	175.7	138.1	27.2%	
Income taxes	48.7	30.4	60.2%	
Net income for the year	127.0	107.8	17.8%	
Earnings per share	in €	3.85	3.27	17.8%
EBIT margin	in %	12.2	10.1	-

#### KWS Group posts double-digit growth in net sales

The KWS Group increased its net sales sharply in the year under review to €1,819.8 (€1,539.5) million or by 18.2% compared with the previous year. Our Corn, Sugarbeet, Cereals and Vegetables product segments each achieved double-digit growth. Exchange rate effects had only a slightly negative impact of -1.1% on net sales due to countervailing developments. While we benefited from the performance of the Brazilian real and the US dollar, the high depreciation of the Argentinean peso and the Turkish lira against the euro had a negative impact. Portfolio effects had no significant impact on the KWS Group's net sales in the year under review. Net sales therefore grew by 19.5% on a comparable basis (excluding exchange rate and portfolio effects).

The Corn and Sugarbeet Segments accounted for a major share of total net sales, namely 42.4% and 39.4%, respectively (43.7% and 38.2%). The share of the Cereals Segment in the year under review was virtually constant at 14.2% (14.1%). The Vegetables Segment accounted for 3.6% (3.5%) of total net sales.

The region where we generated most of our business was Europe, which accounted for 60.8% of net sales (Germany: 15.5%). The share of net

sales in North and South America increased to 32.6% (32.1%) of our total net sales, due among other things to our growth in Brazil. Revenues from our North American and Chinese equity-accounted companies are only included at the segment level (see our segment reporting starting on page 37).

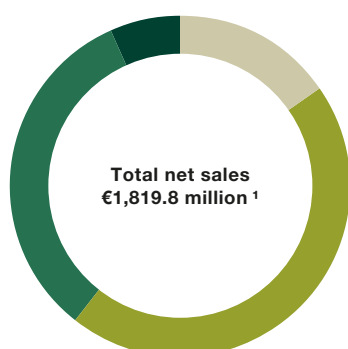
#### Key indicators for operating income rise sharply

The KWS Group's operating income before depreciation and amortization (EBITDA), including effects from leases and hyperinflation, increased in fiscal 2022/2023 by 26.1% to €318.2 (252.4) million, while operating income (EBIT) rose by 43.6% to €222.8 (155.1) million. The EBIT margin likewise improved sharply to 12.2% (10.1%).

The strong rise in the key indicators for operating income was mainly due to higher sales prices and an improved product mix, as well as a below-proportionate increase in the cost of sales and function costs.

The KWS Group's cost of sales rose by 14.8% to €796.0 (693.2) million against the backdrop of the expansion of business, higher seed propagation costs and the destruction of inventories. The cost of sales ratio improved to 43.7% (45.0%), in particular due to price and product mix effects that impacted net sales.

## Net sales by region



<sup>1</sup> Without sales of our at-equity-accounted consolidated companies

Selling expenses rose by 11.2% to €312.8 (281.3) million and thus less strongly than net sales. The selling expense ratio thus improved to 17.2% (18.3%).

Research and development expenditure rose by 13.3% in the period under review to €314.2 (277.2) million; the R&D intensity was 17.3% and thus below the level of the previous year (18.0%) due to the strong growth in net sales.

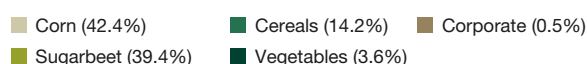
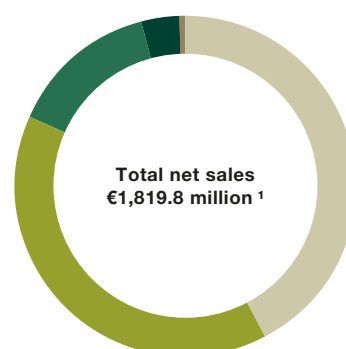
Administrative expenses rose by 10.6% to €144.3 (130.2) million, among other things due to higher personnel costs. The administrative expense ratio improved to 7.9% (8.5%).

The balance of other operating income and other operating expenses fell to €-30.0 (-2.5) million, in particular due to exchange rate and hyperinflation effects. The related individual items are explained in detail in the Notes on [pages 123 to 124](#).

### Increase in earnings after taxes despite a decline in net financial income/expenses

Our net financial income/expenses is made up of the net income from equity investments and the interest result. In addition, we report realized and unrealized foreign exchange differences from

## Net sales by segment



<sup>1</sup> Without sales of our at-equity-accounted consolidated companies

financing activities within net financial income/expenses.

Net income from equity investments includes the earnings from equity-accounted joint ventures, which decreased to €-12.3 (€7.7) million due to the fall in earnings from our equity investments in North America and China. The balance of financial expenses and financial income likewise fell sharply to €-34.8 (-24.6) million. This was mainly due to higher interest expenses, in particular as a result of higher interest rates in Brazil and Germany. Net financial income/expenses declined significantly to €-47.1 (-16.9) million on the back of these effects.

Earnings before taxes rose sharply by 27.2% to €175.7 (138.1) million. Income taxes increased to €48.7 (30.4) million, in particular due to the growth in earnings. The increase in the tax rate to 27.7% (22.0%) is mainly attributable to special effects that increased taxes in the period under review, but reduced them in the previous period. Overall, the KWS Group generated earnings after taxes of €127.0 (107.8) million in the year under review. Given that the number of shares is 33,000,000, earnings per share were €3.85 (3.27).

## Financial situation

### Selected key figures on the financial position

in € millions	2022/2023	2021/2022	+/-
Cash and cash equivalents	173.0	203.7	-15.1%
Net cash from operating activities	144.7	100.3	44.3%
Net cash from investing activities	-100.1	-90.9	-10.1%
<b>Free cash flow</b>	<b>44.5</b>	<b>9.4</b>	<b>&gt;100%</b>
Net cash from financing activities	-59.3	-28.4	<-100%

Securing the KWS Group's financial flexibility, enabling its profitable growth and preserving its independence are the core tasks of our financial management. Among other things, we ensure that by extensive liquidity planning, monitoring of cash flows, and hedging the risk of interest rate changes and currency risks. The main financial instruments used by the Group in the fiscal year, apart from a syndicated credit line and a loan from the European Investment Bank (EIB) to fund research and development, were in particular borrower's notes and commercial papers with different loan periods and terms (see page 130). We also used short-term loans in Brazil to finance growth there. The maturity profile of the Group's borrowings has a broad spread, with a high proportion of medium- and long-term financing.

In order to secure KWS' growth, we also consider the option of a capital increase in exceptional cases, for example to fund a further large acquisition.

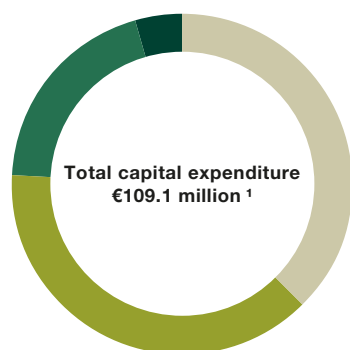
The net cash from operating activities developed positively, in particular due to our operating performance, and rose to €144.7 (100.3) million. However, there was a further increase in working capital. In Brazil in particular, trade receivables increased again due to the high growth and longer payment periods customary in the market. Inventories likewise increased further against the backdrop of our growth targets and due to higher prime costs.

The net cash from investing activities totaled €-100.2 (-90.9) million in fiscal 2022/2023.

The main focus of the KWS Group's capital spending in the year under review was on erecting and expanding production and research and development capacities. Construction of the new elite seed storehouse for processing and storing breeding material for sugarbeet was begun at the Einbeck location. Its planned investment volume is more than €40 million and it is scheduled to be completed in 2024. In Ukraine and Brazil, the focus was on expanding and modernizing production and processing plants for corn seed. Investments were made in further breeding capacities in the Vegetables Segment. Across all segments, investments were made in office and laboratory equipment and in IT systems, among other things. Total capital spending in fiscal 2022/2023 (excluding interest received and noncash additions) totaled €109.1 (93.5) million. Depreciation and amortization fell in the year under review to €95.4 (97.4) million, mainly due to lower PPA effects.

The free cash flow was consequently €44.5 million and thus well above the figure for the previous year (€9.4 million). The net cash from financing activities rose to €-59.3 (-28.4) million, mainly due to loans raised to fund growth and higher interest and lease payments. Cash and cash equivalents fell – taking into account exchange rate effects around €15 million – to €172.9 (203.7) million.

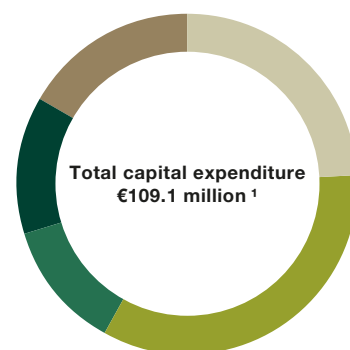
### Capital expenditure by region



Germany (37.8%)  
 Europe (excluding Germany) (38.3%)  
 North and South America (19.7%)  
 Rest of world (4.3%)

<sup>1</sup> Without capital expenditures of our at-equity-accounted consolidated companies

### Capital expenditure by segment



Corn (24.2%)  
 Sugarbeet (33.9%)  
 Cereals (12.3%)  
 Vegetables (13.1%)  
 Corporate (16.4%)

<sup>1</sup> Without capital expenditures of our at-equity-accounted consolidated companies

### Assets

The KWS Group's balance sheet is impacted by the seasonal nature of our business. In the course of the year, there are usually balance sheet items that differ significantly from the corresponding figures at the balance sheet date, in particular in relation to working capital.

Total assets at June 30, 2023, were €2,749.6 (2,651.8) million. The rise was mainly attributable to a further increase in current assets as a result of the expansion of business in South America; they totaled €1,420.7 (1,329.0) million, with trade receivables rising to €582.0 (518.5) million. Inventories likewise increased to €409.1 (354.6) million,

Noncurrent assets totaled €1,326.8 million and were thus at the level of the previous year (€1,318.8 million). The increase in property, plant and equipment as part of our investing activities was mainly offset by depreciation of property, plant and equipment and amortization of intangible assets identified as part of company acquisitions.

Equity increased to €1,291.1 (1,245.9) million, mainly due to the net income for the year. However, effects from currency translation reduced equity. The equity ratio at the balance sheet date was 47.0% and thus at the level of the previous year (47.0%).

The fall in noncurrent liabilities to €762.0 (814.2) million is attributable in particular to a shift from long-term to short-term financial liabilities.

Trade payables increased again, among other things due to the expansion of business and optimized controlling of outgoing payments on an increasingly centralized basis. In addition, the rise in short-term financial liabilities resulted in higher current liabilities, which consequently rose sharply to €696.5 (591.7) million.

Net debt (long-term and short-term borrowings from banks less cash and cash equivalents) increased to €565.2 (521.9) million.

## Condensed balance sheet

in € millions	06/30/2023	06/30/2022	+/-
<b>Assets</b>			
Noncurrent assets	1,326.8	1,318.8	0.6%
Current assets	1,420.7	1,329.0	6.9%
Assets held for sale	2.1	4.0	-47.5%
<b>Equity and liabilities</b>			
Equity	1,291.1	1,245.9	3.6%
Noncurrent liabilities	762.0	814.2	-6.4%
Current liabilities	696.5	591.7	17.7%
<b>Total assets</b>	<b>2,749.6</b>	<b>2,651.8</b>	<b>3.7%</b>

## 2.3.3 Segment Reports

### Reconciliation with the KWS Group

The KWS Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The segments are presented in the Management Report in line with our internal corporate controlling structure in accordance with GAS 20. The main difference is that we do not carry the revenues and costs of our equity-accounted companies in the statement of comprehensive income (in accordance with IFRS 11). The KWS Group's net sales and EBIT

are therefore lower than the total for the segments. The earnings contributed by the equity-accounted companies are instead included under net financial income/expenses. Our equity-accounted companies are included proportionately in the segment reports in line with our internal corporate controlling structure.

The difference from the KWS Group's statement of comprehensive income is summarized for a number of key indicators in the reconciliation table:

### Reconciliation table

in € millions	Segments	Reconciliation	KWS Group
Net sales	2,095.2	-275.4	1,819.8
EBIT	212.3	10.5	222.8
Number of employees avg.	5,055	264	5,319
Capital expenditure	116.2	-7.0	109.1
Total assets	2,884.3	-134.7	2,749.6

The reconciliation between the KWS Group's statement of comprehensive income and the reporting by segments in fiscal 2022/2023 is impacted by our equity-accounted companies in the North American and Chinese corn markets. That applies to all key figures in the table above, with the main influences coming from North America.



# Corn

## Corn Segment

### **General industry-specific conditions: Higher sales prices for innovative corn varieties**

The general economic conditions for the Corn Segment varied in our core markets in the year under review. While land under cultivation increased in the U.S., the world's largest corn producer, it remained at the previous year's level in Brazil. However, the cultivation area for corn in Europe declined, in particular due to in some cases high, drought-related yield losses in the previous season. Demand for corn seed therefore declined in the European grain corn markets. To take advantage of damp conditions in the winter, farmers increasingly opted to grow winter cereals and winter oilseed rape.

Due to firm global demand and higher propagation costs, sales prices for innovative corn seed in our core markets increased, in some cases sharply.

### **The segment's performance: Net sales rise to over one billion euros for the first time, EBIT declines**

The Corn Segment again grew its net sales sharply by 11.9% to €1,046.8 (935.1) million in the year under review. That equates to growth of 18.2% on a comparable basis (excluding exchange rate and portfolio effects). Our core markets of Europe, Brazil and the U.S. contributed to this.



Net sales in Brazil increased by around 24%; here we were able to significantly increase our prices and also benefited from positive exchange rate movements. Our innovative varieties make us one of the leading vendors of corn seed in this highly competitive market.

We grew net sales in Europe by around 13% despite a fall in land under cultivation. This increase is mainly attributable to higher sales prices. We again defended our leading position in the silage corn market in the year under review.

Net sales at our joint venture AgReliant increased by around 10%, mainly due to exchange rate effects. In a highly competitive environment, our business experienced declining volumes, but that was offset by higher sales prices.

The decline in the segment's income to €45.8 (57.2) million is attributable to the sharp fall in earnings at our joint ventures in North America and China, whose operating performance was below expectations. However, we were able to grow earnings in Brazil and Europe. The segment's EBIT margin fell from 6.1% to 4.4%.

#### Investments in further growth

The segment's capital spending was €33.5 (32.0) million in the year under review. Alongside routine maintenance measures, the main focus was on expansion of our production and processing plant in Brazil. We plan to expand our production capacities there by fiscal 2026/2027. We continued our extensive expansion of the seed processing plant in Ukraine. The aim is to ensure the availability of high-quality seed and to provide long-term support for reconstruction of the agricultural industry in Ukraine.

#### Key figures

in € millions	2022/2023	2021/2022	+/-
Net sales	1,046.8	935.4	11.9%
EBITDA <sup>1</sup>	89.9	95.8	-6.2%
EBIT	45.8	57.2	-19.9%
EBIT margin	in % 4.4	6.1	-
Capital expenditure	33.5	32.0	4.7%
Capital employed (avg.) <sup>2</sup>	922.7	788.9	17.0%
ROCE (avg.) <sup>3</sup>	in % 5.0	7.2	-

<sup>1</sup> EBITDA = EBIT (incl. IAS 29 Hyperinflation) + Depreciation (incl. IAS 29 Hyperinflation) + Amortization (incl. IAS 29 Hyperinflation)

<sup>2</sup> Capital employed (average capital employed) = (quarterly figures at the reporting date for intangible assets + property, plant and equipment + inventories + trade receivables - trade payables) / 4

<sup>3</sup> ROCE = EBIT / capital employed (avg.)



## Sugarbeet

### Sugarbeet Segment

**General industry-specific conditions:  
Sugar prices at a high level, slight increase in  
land under cultivation**

While the worldwide supply of sugar declined due to unfavorable weather conditions in India, Europe, China and Mexico, global demand for sugar continued to rise. In addition, more sugar cane was used to produce bioethanol in the year under review and was therefore not available to make sugar.

As a result, sugar prices reached long-term highs. The prices paid for sugarbeet also increased – in some cases significantly – in the period under review, thus strengthening the attractiveness of sugarbeet cultivation. Global cultivation area grew by around 2% to 4.5 million hectares. There was an

increase in land under cultivation in Eastern Europe, in particular.

**The segment's performance: Product  
innovations drive growth in net sales and EBIT**

Net sales at the Sugarbeet Segment again rose sharply in the year under review to €716.3 (588.4) million, an increase of 21.7%. The growth was 21.1% on a comparable basis (excluding exchange rate and portfolio effects). This increase was mainly attributable to growth in Central and Eastern Europe and in the U.S. Europe is the segment's most important market, accounting for 59.6% (59.1%) of total net sales, followed by North America with 29.9% (31.2%).



In the 2023 sowing season, there was higher demand particularly for the sustainable product innovations CONVISO® SMART and CR+. Their joint contribution to net sales increased to around 49% (33%) and was a key factor in our business success. Against the backdrop of increasing regulation of pesticides and rising disease pressure as a result of climate change, these innovations make an important contribution to achieving stable beet yields with less use of pesticides.

On the back of the positive net sales performance, the segment's income was €253.4 (195.0) million and likewise significantly higher than in the previous year, despite the higher destruction of inventories due to changes in the regulatory framework and negative exchange rates.

While gross profit on sales was much higher (+24%), there were higher selling expenses (+19%) and increased research and development expenditure

(+13%). The EBIT margin was 35.4% and thus above the level of the previous year (33.1%).

We are continuing to invest strongly in expanding our sugarbeet breeding programs so that we can continue to provide our farmers with innovative seed in the future. The focus is on solutions to combat increasing disease or insect infestation as a consequence of climate change and to enable effective weed control. In addition, development of diploid hybrid potatoes was continued in the year under review.

#### Important capital spending projects

In fiscal 2022/2023, we invested primarily in construction of our new elite seed storehouse for processing and storing breeding material for sugarbeet and in our production plants in Italy. We invested a total of €37.0 million at the segment compared to €32.4 million in the previous year.

#### Key figures

in € millions	2022/2023	2021/2022	+/-
Net sales	716.3	588.4	21.7%
EBITDA <sup>1</sup>	275.6	216.1	27.5%
EBIT	253.4	195.0	29.9%
EBIT margin in %	35.4	33.1	–
Capital expenditure	37.0	32.4	14.2%
Capital employed (avg.) <sup>2</sup>	449.9	386.5	16.4%
ROCE (avg.) <sup>3</sup> in %	56.3	50.4	–

<sup>1</sup> EBITDA = EBIT (incl. IAS 29 Hyperinflation) + Depreciation (incl. IAS 29 Hyperinflation) + Amortization (incl. IAS 29 Hyperinflation)

<sup>2</sup> Capital employed (average capital employed) = (quarterly figures at the reporting date for intangible assets + property, plant and equipment + inventories + trade receivables – trade payables) / 4

<sup>3</sup> ROCE = EBIT / capital employed (avg.)



# Cereals

## Cereals Segment

### **General industry-specific conditions: Prices decline after record levels in the previous year**

After reaching long-term highs in the previous year, international raw material prices came under – in some cases heavy – pressure during the period under review, mainly as a result of the agreement between Ukraine and Russia on the shipment of grain via the Black Sea (“Black Sea Grain Initiative”). In particular, the agreement helped improve the supply outlook on world markets and reduced uncertainties. High inventories and the prospect of good harvests bolstered the downward trend. For example, wheat prices at the end of the year under review were an average of 35% below their highs in May 2022. Prices for rye, barley and oilseed rape also fell sharply. However, they were still at a good level at the time of the sowing season for winter cereals and oilseed rape in the fall of 2022.

The Food and Agriculture Organization (FAO) of the United Nations registered a record wheat harvest of around 800 million tons for the year under review. While cultivation areas for wheat in KWS’ important EU 27 markets were slightly above the five-year average, they declined for rye and barley. However, cultivation area for oilseed rape increased sharply in 2022/2023, with global production rising from 76.1 to 89.2 million tons, an all-time high.

### **The segment’s performance: Sharp increase in net sales and income**

Net sales in the Cereals Segment in fiscal 2022/2023 rose sharply to €257.8 (216.4) million, mainly due to buoyant growth in oilseed rape, wheat and rye seed. This equates to an increase of 19.1%. Net sales grew by 18.3% on a comparable basis (excluding exchange rate and portfolio effects).

As regards oilseed rape, favorable market conditions and a good portfolio of varieties, in particular, resulted in a significant increase, with net sales rising by around 28%. We posted the largest growth in Germany, France and Romania. Net sales from wheat seed business increased by around 22%, mainly on the back of higher sales volumes and seed prices, with the biggest growth being recorded in Germany, France and the UK.

Rye seed business performed very well in the year under review, growing its net sales by around 10%. Demand for rye seed benefited particularly from the increasing use of rye in fodder and is underpinned by its excellent carbon footprint and high yield stability under dry conditions. Rye seed business accounts for around 40% and thus a significant share of the segment's net sales. However, net sales of barley seed were at the level of the previous year; barley accounts for just under 10% of the segment's net sales.

The Cereals Segment achieved high growth rates with its catch crops, an area with a highly promising future, and with its organic seed. In addition, sorghum seed business in Brazil again performed very pleasingly and more than doubled from a low level.

The segment's income rose sharply by 36% to €40.1 (29.5) million thanks to the positive net sales trend. The EBIT margin increased to 15.6% and was thus also above the high level of the previous year (13.6%).

While gross profit increased (+20%), there were – as planned – higher selling expenses (+20%) due to numerous growth initiatives and inflation-related effects. In addition, we further increased our research and development expenditure (+14%).

As part of our strategic orientation, the focus of our research and development is on breeding hybrid seed, including for wheat and, with initial successes, for barley. Another focus is on breeding high-performance varieties as well as on their resource efficiency and improved traits to promote sustainable agriculture.

#### Investment in breeding and production continued

The segment's capital spending in the year under review was €13.4 (6.6) million and thus well above the figure for the previous year. The main focus of investment activity was again on expanding and modernizing production plants in Germany and France, such as the seed processing plant at Wohlde, and modernizing and expanding breeding stations.

#### Key figures

in € millions	2022/2023	2021/2022	+/-	
Net sales	257.8	216.4	19.1%	
EBITDA <sup>1</sup>	48.1	39.2	22.7%	
EBIT	40.1	29.5	35.9%	
EBIT margin	in %	15.6	13.6	–
Capital expenditure	13.4	6.6	>100%	
Capital employed (avg.) <sup>2</sup>	172.4	156.6	10.1%	
ROCE (avg.) <sup>3</sup>	in %	23.3	18.9	–

<sup>1</sup> EBITDA = EBIT (incl. IAS 29 Hyperinflation) + Depreciation (incl. IAS 29 Hyperinflation) + Amortization (incl. IAS 29 Hyperinflation)

<sup>2</sup> Capital employed (average capital employed) = (quarterly figures at the reporting date for intangible assets + property, plant and equipment + inventories + trade receivables – trade payables) / 4

<sup>3</sup> ROCE = EBIT / capital employed (avg.)



## Vegetables

### Vegetables Segment

**General industry-specific conditions: Drought impacts vegetable cultivation in southern Europe, stable demand for spinach seed**

Conditions for vegetable cultivation have become bleaker, particularly in the major southern European regions, due to severe drought. In Spain, which accounts for around a quarter of the European Union's total fruit and vegetable production, persistent periods of drought led to a reduction in land under cultivation and crop failures. Climate-related challenges such as heat waves or heavy rainfall also resulted in crop losses in other cultivation regions, with the result that end consumer prices for fruit and vegetables rose, in some cases sharply.

The specific general conditions for spinach seed, our main sales driver in the Vegetables Segment, stabilized in the period under review. However, demand for high-quality spinach for the food service sector remained below pre-coronavirus levels.

**The segment's performance: Sharp growth in net sales and earnings, planned expansion of our breeding activities**

Net sales in the Vegetables Segment, in which the business activities of Pop Vriend Seeds, the vegetable seed company acquired effective July 1, 2019, are consolidated, increased sharply by 21.5% to €66.0 (54.3) million in the year under review. The growth was 26.2% on a comparable basis (excluding exchange rate and portfolio effects).

Spinach seed accounted for around two-thirds of the segment's net sales and recorded growth of around 22% and stronger demand in the U.S. and China, in particular. As a result, we were able to maintain our leading position in the spinach seed market.

Bean seed business, which contributes around 25% of net sales and is thus the second-largest product group in the segment, also grew sharply by around 10%, despite a fall in land under cultivation.

By contrast, the sale of non-core activities (seed trading business) in the course of the year under review meant that the contributions to net sales were in the low single-digit million range compared with the previous period.

The segment's income improved to €-11.8 (-18.5) million as a result of the positive business performance and lower effects from the purchase price allocation as part of company acquisitions. The segment's income includes significant expenditures aimed at the long-term establishment of vegetable breeding. Exchange rate effects also had a negative impact on its income.

### Expansion of vegetable breeding continued

KWS made further progress in vegetable breeding last fiscal year and thus laid the foundation for future growth. KWS now has vegetable breeding stations in Spain, Italy, the Netherlands, Turkey, Brazil and Mexico. KWS' strategic objective is to build a significant position in the vegetable seed market long-term. Our focus apart from spinach and beans is on the world's five most important crops in this segment: tomatoes, peppers, cucumbers, watermelons and melons.

We inaugurated new research facilities at the headquarters of our Business Unit Vegetables at Wageningen, in the Netherlands, in February 2023. The premises, which cover an area of almost 450 square meters, offer space for labs and culture rooms for cultivating plants. Expansion of laboratory capacities is an important step in speeding up and enhancing quality in the development of new vegetable varieties.

Capital spending in the Vegetables Segment increased sharply overall from €9.0 million in the previous year to €14.3 million.

### Key figures

in € millions	2022/2023	2021/2022	+/-	
Net sales	66.0	54.3	21.5%	
EBITDA <sup>1</sup>	2.3	3.0	-23.3%	
EBIT	-11.8	-18.5	36.2%	
EBIT margin	in %	-17.8	-34.1	-
Capital expenditure	14.3	9.0	58.9%	
Capital employed (avg.) <sup>2</sup>	427.1	420.4	1.6%	
ROCE (avg.) <sup>3</sup>	in %	-2.8	-4.4	-

<sup>1</sup> EBITDA = EBIT (incl. IAS 29 Hyperinflation) + Depreciation (incl. IAS 29 Hyperinflation) + Amortization (incl. IAS 29 Hyperinflation)

<sup>2</sup> Capital employed (average capital employed) = (quarterly figures at the reporting date for intangible assets + property, plant and equipment + inventories + trade receivables - trade payables) / 4

<sup>3</sup> ROCE = EBIT / capital employed (avg.)





# Corporate

## Corporate Segment

### Key figures

in € millions	2022/2023	2021/2022	+/-
Net sales	8.3	8.3	0.2%
EBITDA <sup>1</sup>	-94.0	-77.8	-20.9%
EBIT	-115.3	-97.5	-18.2%
Capital expenditure	17.9	18.9	-5.1%

<sup>1</sup> EBITDA = EBIT (incl. IAS 29 Hyperinflation) + Depreciation (incl. IAS 29 Hyperinflation) + Amortization (incl. IAS 29 Hyperinflation)

Net sales in the Corporate Segment totaled €8.3 (8.3) million. While net sales at our farms in Germany and France declined slightly, they increased in Poland.

At the same time, since cross-segment costs for the KWS Group's central functions and research expenditure are charged to the Corporate Segment, its income is usually negative. The segment's income fell to €-115.3 (-97.5) million, mainly due to

general cost increases, especially for personnel, and planned higher expenses for research and in the field of digital tools. Capital spending was €17.9 (18.9) million and thus slightly below that of the previous year.

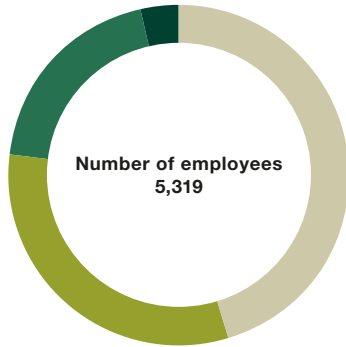
Alongside general spending on office and laboratory equipment and IT systems, one focus of our investment activity was the construction of a new workshop at Klein Wanzleben.

### 2.3.4 Employment Trends

The KWS Group employed an average of 5,319 (5,120) people (excluding seasonal workers) in the fiscal year, a year-on-year increase of around 4%.

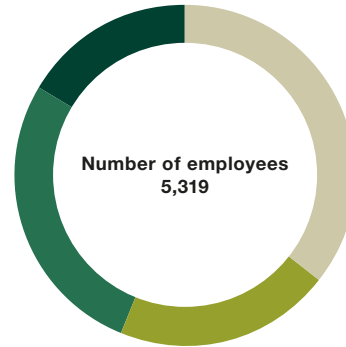
A total of 2,417 (2,294), or around 45.4% (44.8%) of the workforce, were employed in Germany. Once again, the area that accounted for the most employees was research and development, which made up 35.7% (35.8%) of the total workforce.

#### Employees by region



- Germany (2,417)
- Europe (excluding Germany) (1,676)
- North and South America (1,048)
- Rest of world (178)

#### Employees by function



- Research & Development (1,897)
- Production (1,102)
- Distribution (1,450)
- Administration (871)

## 2.4 Sustainability Information (Combined Non-Financial Declaration)

### 2.4.1 General Information

#### Overview of the status of implementation of key sustainability goals

Environmental objectives	Target in 2030	2022/2023	2021/2022
<b>Biodiversity and Ecosystems (Section 2.4.2)</b>			
Crops in breeding programs	27	23	24
Budget for resource-conserving research	>30% of the annual R&D budget on reducing the use of resources	20.2%	19.8%
Ratio of low-input varieties	Suitability of >25% of KWS' varieties for low-input farming	9% <sup>1</sup>	n/a
<b>Climate Change (Section 2.4.2)</b>			
Emissions (Scopes 1 + 2)	50% reduction (2050: net zero)	65,278 t CO <sub>2</sub> e	64,000 t CO <sub>2</sub> e
Use of scorecards to measure local environmental performance	Use of scorecards at all production sites, including at processing plants and our own seed propagation areas (currently 71 locations)	56 locations	n/a
<b>Innovative Product Design (Section 2.4.2)</b>			
Annual yield gain	1.5% on average	1.3% <sup>1</sup>	n/a
Use of digital farming solutions on customers' fields	Use of digital solutions on >6 million hectares	2.5 million hectares	1.7 million hectares
Ratio of varieties for direct human nutrition	>40% of KWS' varieties can be used directly in human nutrition	63% <sup>1</sup>	n/a
<b>Social objectives</b>			
<b>Social Engagement (Section 2.4.3)</b>			
Ratio of expenditures as part of our social commitment	1% of operating income (EBIT) p.a.	0.6%	0.8%
<b>Working Conditions (Section 2.4.3)</b>			
OSHA incident rate at the KWS Group <sup>2</sup>	<1.0	1.6	1.3
<b>Governance objectives</b>			
<b>Business Ethics and Compliance (Section 2.4.4)</b>			
Access to the Compliance Portal	95%	80%	80%
<b>Property Rights to Genetic Resources (Section 2.4.4)</b>			
ITPGRFA incidents <sup>3</sup>	No incidents under the ITPGRFA	0	0

<sup>1</sup> Recorded for the German market

<sup>2</sup> Rate of lost-time occupational accidents relative to hours worked (per 200,000 working hours); OSHA = Occupational Safety and Health Administration

<sup>3</sup> International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA); KWS is committed to complying with the stipulations of the ITPGRFA



### **Our understanding of sustainability**

It is our understanding of sustainability that sustainable commercial success requires – in addition to stringent implementation of our commercial goals – a socially, ecologically and economically balanced business culture. Our corporate vision, mission and values form the basis for this and are a key component in our activity and in ensuring KWS' long-term economic success.

**“Our passion for plants sustains farming, food and planet.”**

The KWS Group's mission

We set ourselves long-term and concrete objectives under our sustainability strategy, for which the Executive Board is jointly responsible. In our global strategic planning process, their appropriateness is regularly reviewed, with the aim of orienting our business activities toward social, ecological and economical aspects. In this spirit, KWS adopted sustainability goals in 2021 as part of the Sustainability Ambition 2030, and the status of their implementation is reported on in the Non-Financial Declaration. A central Sustainability Team operates as a staff unit under the responsibility of our Chief Financial Officer and coordinates the main sustainability activities within the KWS Group.

### **Sustainability issues of moderate to high materiality**

We derive the issues we report on in the Non-Financial Declaration from a materiality analysis that was conducted in 2020/2021 and was based on the GRI standards and in which we involved our relevant stakeholder groups. The key stakeholder groups include not only

our direct customers, i.e., farmers, but also our shareholders and employees. We also include various stakeholders throughout the agricultural value chain in our analysis, such as sugar producers, food manufacturers, retailers and end consumers, as well as policymakers, public authorities, non-governmental organizations, science, academia and the media. We reviewed the materiality analysis in the past fiscal 2022/2023 and made adjustments to how the issues are categorized. The 2022/2023 materiality analysis was prepared as a result and used as the basis for identifying issues of high relevance in terms of their impact on the KWS Group's business activities and situation. Since fiscal 2022/2023, we have consequently assessed the issues of biodiversity and ecosystems as being of greater materiality for KWS and are expanding our reporting accordingly. Sustainability-related issues that were categorized as being of high materiality are presented in the Non-Financial Declaration. Sustainability-related issues that were categorized as being of moderate materiality are reported on in the separate 2022/2023 Sustainability Report. We plan to conduct the materiality analysis again in fiscal 2023/2024.

In order to prepare for the requirements stipulated under the EU's Corporate Sustainability Reporting Directive (CSRD), which will be mandatory for KWS for the first time from fiscal 2024/2025, we have already made adjustments to our reporting structure for fiscal 2022/2023. We now report on the issues relating to the environment, social aspects and governance in separate sections of the Management Report.

**Legal disclosures**

In accordance with Sections 289b et seq. and Sections 315b et seq. of the German Commercial Code (HGB), KWS is obliged to prepare a Non-Financial Declaration for the parent company KWS SAAT SE & Co. KGaA and the KWS Group disclosing details of the business model and related material corporate social responsibility (CSR) aspects (environmental issues, social issues, employee issues, human rights, and prevention of

corruption and bribery), where these are necessary for an understanding of the course of business, business results, the situation of KWS SAAT SE & Co. KGaA and the KWS Group, and the effects on said aspects. The disclosures in the Combined Non-Financial Declaration relate to both KWS SAAT SE & Co. KGaA and the KWS Group, unless otherwise specified.

**Materiality matrix 2022/2023**

■ Environment ■ Social ■ Governance

High	<p><b>Non-Financial Declaration</b></p> <ul style="list-style-type: none"> <li>■ Climate Change</li> <li>■ Water</li> <li>■ Social Engagement</li> </ul>	<ul style="list-style-type: none"> <li>■ Consumers and End Users</li> <li>■ Responsibility in the Value Chain</li> <li>■ Business Ethics and Compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ Innovative Product Design</li> <li>■ Working Conditions</li> <li>■ Property Rights to Genetic Resource</li> </ul>
	<p><b>Sustainability Report</b></p> <ul style="list-style-type: none"> <li>■ Circular Economy</li> </ul>	<ul style="list-style-type: none"> <li>■ Pollution</li> <li>■ Stakeholder Management</li> </ul>	<ul style="list-style-type: none"> <li>■ Biodiversity and Ecosystems</li> <li>■ Own Workforce</li> </ul>
	<ul style="list-style-type: none"> <li>■ Capacity Building and Environmental Engagement</li> </ul>		
Medium	Impact of KWS Group on Society/Environment/Economy		
	Medium		High

The table below gives an overview of the CSR report aspects stipulated by law in accordance with Section 289c of the German Commercial Code (HGB) and other associated issues that require reporting, as well as references to the sections in which the required disclosures on concepts, results, risks and key performance indicators are made. We did not identify any risks that exceeded the statutory materiality threshold defined in Section

289c (3) of the German Commercial Code (HGB). In addition, the KWS Group has not defined any non-financial performance indicators relating to controlling at present.

As part of preparation of the Non-Financial Declaration, we were guided by the GRI standards in conducting the materiality analysis. No other frameworks were used.

### Index for the Non-Financial Declaration

Required German Commercial Code disclosures	Issues of high materiality	Reference to sections
Business model		2.1 Fundamentals of the KWS Group
Environmental issues	Innovative and Sustainable Product Design Climate Change Water Biodiversity and Ecosystems	2.4.2 Environmental Aspects 2.4.2 Environmental Aspects 2.4.2 Environmental Aspects 2.4.2 Environmental Aspects
Employee issues	Employees Working Conditions	2.4.3 Social Aspects 2.4.3 Social Aspects
Corruption and bribery	Governance and Compliance	2.4.4 Governance
Human rights	Responsible Sourcing	2.4.3 Social Aspects
Social issues	Social Commitment Consumers and End Consumers Ownership Rights to Genetic Resources	2.4.3 Social Aspects 2.4.3 Social Aspects 2.4.4 Governance
EU Taxonomy		2.4.2 Environmental Aspects

## 2.4.2 Environmental Aspects

### 2.4.2.1 Biological Diversity and Ecosystems

#### Enhance crop diversity (Sustainability Ambition 2030)

Objective	Target in 2030	2022/2023	2021/2022
Crops in breeding programs	27	23	24

Flexible and sustainable crop rotation in agriculture is part of our sustainable product strategy. We therefore offer our customers a broad portfolio of varieties for different crops. We plan to increase the number of our breeding programs from 23 at present to 27 by 2030. A plant breeding program for agricultural crops is a systematic and science-based method of developing plants with improved traits and properties. It comprises the pinpointed crossing of plants to enhance desirable traits such as yield, resistance to diseases and pests, drought tolerance, nutrient efficiency and adaptability to different environmental conditions. A breeding program involves the selection of parent plants with the desired traits and the systematic implementation of crossing and selection processes over several generations. The goal is to develop varieties that meet farmers' needs, increase yields, improve food security and promote sustainable agricultural practices. Modern plant breeding programs also use advanced technologies such as genomics, marker-assisted selection and genetic engineering to speed up the breeding process and make it more efficient. Crop-specific development objectives are agreed annually between Research, the breeding departments, Production and Sales, submitted for the Executive Board to decide on and reported to the Supervisory Board. In fiscal

2022/2023, we completed the breeding program for carrots in the Vegetables segment. Consequently, the number of our breeding programs fell from 24 to 23.

We support both conventional and organic farming with our varieties, catch crops and mixed cropping solutions from breeding programs. Compared to traditional agriculture, organic farming has a more positive influence on biodiversity, since no chemical pesticides are used in it and near-natural areas are fostered to a greater extent. We already have one of the most diverse product portfolios in plant breeding, enabling us to provide extensive support for multiyear crop rotation strategies and conventional and organic market segments with our own products.

Another indicator of the success of our breeding programs is the number of official variety approvals awarded per year. Only varieties of agricultural plant species that offer a clear improvement in cultivation or further processing (what is termed "value for cultivation and use") over already approved ones can be marketed in the EU. We obtained 488 variety approvals worldwide in fiscal 2022/2023 compared to 486 in the previous year.

## Minimize required inputs (Sustainability Ambition 2030)

Objective	Target in 2030	2022/2023	2021/2022
Expenditures on reducing the use of resources	>30% of the annual R&D budget	20.2%	19.8%
Ratio of varieties for resource-conserving agriculture	Suitability of >25% of KWS' varieties for low-input farming	9% <sup>1</sup>	n/a

<sup>1</sup> Recorded for the first time in fiscal 2022/2023, only for the German market and excluding vegetable varieties

KWS has set itself the goal of minimizing the use of natural and chemical resources in agriculture. To achieve this, we have formulated two targets in our Sustainability Ambition 2030:

### More than 30% of our annual R&D budget is to be spent on reducing the use of resources

In the future, we intend to spend more than 30% of our annual R&D budget specifically on reducing the use of resources (water, fertilizer and pesticides) in arable farming. To enable this, we are planning to develop varieties that, for example, are resistant to diseases or pathogens or have greater tolerance to climatic stress factors and therefore require less pesticide and work by the farmer. In fiscal 2022/2023, we spent 20.2% (19.8%) of the R&D budget<sup>1</sup> on breeding and developing resource-conserving varieties.

### More than 25% of our portfolio of varieties are to be suitable for low-input farming

We develop resource-saving traits as part of our breeding activities. They include varieties that deliver yields that are customary for the market with little use of fertilizer, limited water availability or reduced use of chemical pesticides. At least one trait of a variety must enable lower resource use in cultivation and, at the same time, offer a yield

potential that is customary for the market, in which case the variety is classified as resource-efficient. Very high yields may also result in varieties being awarded this classification, as they can achieve the same yield level as customary varieties with fewer resources. These "low-input varieties" must prove their performance under cultivation conditions, either in our internal trials or as part of official approval processes. We intend to further expand breeding of low-input varieties in the future so as to selectively add them to our portfolio.

Resource-conserving traits in sugarbeet are, for example, disease resistance, which may entail the use of less pesticide and reduce the number of times machines have to run over the field; in the case of oilseed rape, they are traits where there is demonstrably lower infestation by pests. We are reporting the ratio of low-input varieties for the first time in fiscal 2022/2023. We currently provide our customers with a total of 209 varieties<sup>2</sup> for sugarbeet, silage corn, winter oilseed rape, wheat, barley and rye in Germany, of which 19 varieties (9%) were classified by us as resource-efficient in fiscal 2022/2023. Recording of the portfolio is also to be extended to other markets in the following years.

<sup>1</sup> In R&D controlling, not all research and breeding activities that contribute to reducing the use of resources can be clearly separated from other breeding activities such as increasing yield. Consequently, the key figure includes the actual costs for individual R&D projects and a pro-rata share of the total costs for the breeding programs for corn, cereals and vegetables. This share is based on the ratio reported for sugarbeet, which was approximately 19% (19%) for fiscal 2022/2023.

<sup>2</sup> Varieties that generated net sales in fiscal 2022/2023

### 2.4.2.2 Climate Change

#### Improve operational footprint (Sustainability Ambition 2030)

Objective	Target in 2030	2022/2023	2021/2022
Scope 1 and Scope 2 emissions globally <sup>1</sup>	50% reduction (2050: net zero)	65,278 t CO <sub>2</sub> e	64,000 t CO <sub>2</sub> e
Rollout of scorecards to measure environmental performance	Use of scorecards at all production sites, including at processing plants and our own seed propagation areas (currently 71 locations)	56 locations	n/a

<sup>1</sup> We selected new sources for our emissions factors in the year under review. In addition, emissions from the use of biomass are reported outside the scopes for the first time in accordance with the Greenhouse Gas Protocol. Moreover, corrections were made to the figures for our fertilizer consumption. The figures for the previous year 2021/2022 were adjusted accordingly.

#### Energy and emissions

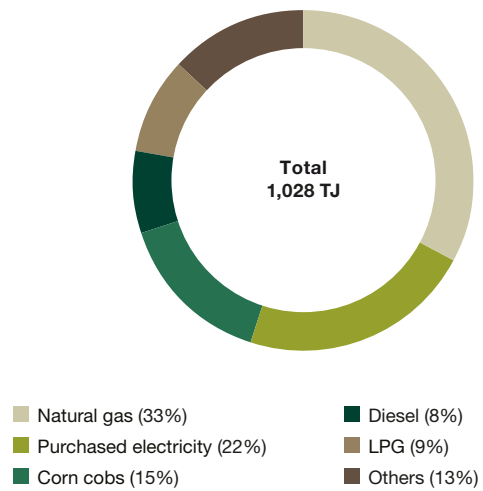
KWS has set itself the goal of reducing Scope 1 and Scope 2 emissions by 50% by 2030 compared with the baseline year 2020/2021. Our aim is to reduce our emissions to net zero in 2050. These objectives are geared toward meeting the 1.5 degree target defined in the Paris Agreement.

#### Energy

As a plant breeding company, KWS is part of the agricultural value chain. We mainly require heat for drying seed, and cold and heat for breeding work in greenhouses or climatic chambers, and for operating agricultural machinery. We currently cover these energy requirements predominantly with natural gas, with diesel, by purchasing electricity from national power grids and also by using energy obtained from biomass (biogas, wood chips and corn cobs). The company also has its own photovoltaic systems at various locations and they help reduce the amount of energy that has to be purchased externally. Our global energy requirements totaled 1,028 (1,026) terajoules (TJ)<sup>1</sup> in fiscal 2022/2023, of which 24% (23%) was covered by renewable energies<sup>2</sup>. The energy intensity was 0.57 (0.67) gigajoules (GJ) per €1,000 of net sales.

#### Energy consumption by energy type

in % of total



#### Emissions

In order to achieve our emissions targets, we are planning adjustments in our use of energy – where that is economically viable. In fiscal 2022/2023, photovoltaic systems were installed and projects for cost-cutting measures in Germany were evaluated with the Executive Board. Our objectives in this regard are to increase the use of biomass-based energy generation, expand our own photovoltaic plants and purchase green electricity under

<sup>1</sup> We use the relevant physical conversion variables to calculate energy consumption. We also take into account energy losses of diesel and gasoline engines and generators, and in this regard assume an energy efficiency ranging from 37% to 41%, depending on the technology.

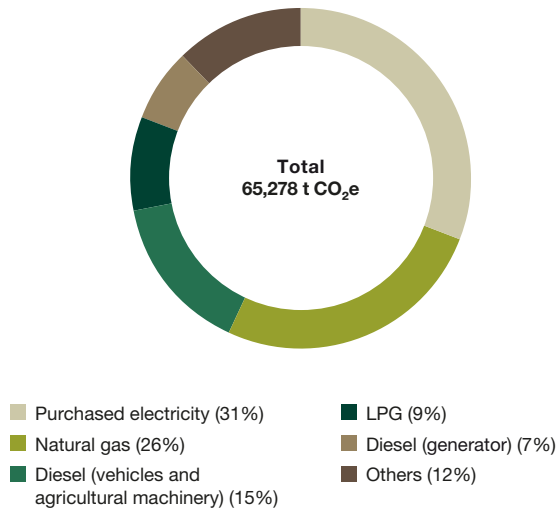
<sup>2</sup> This includes energy obtained from the combustion of biogas, corn cobs and wood chips and from in-house power generation. We currently do not have any information to enable the data on electricity we buy in to be broken down by renewable energies.

power purchase agreements. We are currently examining other conversion options, such as the use of heat pumps, heat exchangers or technical energy efficiency measures, to reduce our energy requirements. As part of that, we take into account both the potential of such projects to reduce emissions and their cost-effectiveness. An internal carbon policy is currently being drawn up to provide a Group-wide catalog of requirements for capital expenditures and operating expenditures.

In fiscal 2022/2023, the KWS Group's Scope 1 and Scope 2 emissions were 65,278 (64,000) tons of CO<sub>2</sub>e. The increase of 2.0% is due to higher diesel consumption in the use of generators and agricultural machinery. That gives an emission intensity of 35.9 (41.6) kg of CO<sub>2</sub>e per €1,000 of net sales. The Scope 1 and Scope 2 footprint of the parent company KWS SAAT SE & Co. KGaA was 15,503 (15,139) tons of CO<sub>2</sub>e.

### Scope 1 and Scope 2 emissions

by source



Emissions resulting from the use of biomass (biogas, corn cobs, wood chips, bioethanol and organic fertilizer) are mainly reported outside the GHG Scopes in accordance with the Greenhouse Gas Protocol (GHG Protocol). These out-of-scope emissions in fiscal 2022/2023 were 22,100 (20,941) tons of CO<sub>2</sub>e for the KWS Group and 4,930 (5,191) tons of CO<sub>2</sub>e for KWS SAAT SE & Co. KGaA.

### The KWS Group's greenhouse gas emissions

Type of emissions	2022/2023 <sup>1</sup> tons of CO <sub>2</sub> e	2021/2022 <sup>2</sup> tons of CO <sub>2</sub> e	Delta (%)
Direct emissions (Scope 1)	45,294	43,879	+3.2
Indirect emission (Scope 2)	19,984	20,121	-0.7
<b>Total</b>	<b>65,278</b>	<b>64,000</b>	<b>+2.0</b>
Biomass emissions (out of scope)	22,100	20,941	+5.5

<sup>1</sup> The measurement period is the calendar year; see the section "Methodology."  
<sup>2</sup> See the first footnote in this section.

### Methodology

We are guided by the requirements of the GHG Protocol in accounting for our greenhouse gas emissions. As part of that, our energy and fertilizer consumption is recorded worldwide, consolidated centrally and converted into CO<sub>2</sub> equivalents using emissions factors. We use factors from the Department for Environment, Food and Rural Affairs (DEFRA) for Scope 1 and factors from the International Energy Agency (IEA) for Scope 2 as part of that. Emissions from fertilizers are calculated using the "Metodologia do GHG Protocol da agricultura<sup>1</sup>." Our Scope 2 footprint is reported in accordance with the location-based method. In addition to Scope 1 and Scope 2 emissions,

<sup>1</sup> See [https://ghgprotocol.org/sites/default/files/standards\\_supporting/Metodologia.pdf](https://ghgprotocol.org/sites/default/files/standards_supporting/Metodologia.pdf).

we report our emissions resulting from the use of biomass mainly outside the GHG Scopes, as they are not to be attributed to any scope according to the GHG Protocol. We have adjusted the carbon accounting period starting in fiscal 2022/2023 to January 1 to December 31, since energy billing statements are usually issued for the calendar year. Data availability was increased as a result. The consolidated group for the reported energy and emissions data in this section is the same as that for our financial reporting.

### **Scope 3 emissions and product carbon footprint**

We currently record our Scope 3 emissions in a project with several service providers. We plan to publish our Scope 3 footprint for the first time in fiscal 2023/2024. Our products can help farmers reduce CO<sub>2</sub> emissions relative to the amount they harvest by delivering higher yields or nutrient efficiency. This effect is also currently being analyzed in more detail as part of a strategic initiative.

### **Rollout of environmental scorecards**

In order to minimize the ecological impacts of its locations and operations, KWS strives to continuously improve internal processes, the technologies it uses and internal company standards. The locations themselves are responsible for the concrete application and operational implementation of resource-conserving measures. Concrete minimum requirements in our global HSE (health, safety and environment) management activities ensure that all KWS locations are governed by comparable regulations.

Our objective is to roll out scorecards to assess the environmental performance of KWS' locations worldwide. All production sites, including the processing plants and our own seed propagation areas, will thus be evaluated individually. The scorecard system will record data for criteria such as biodiversity, water protection and emissions. This will allow us to show the ecological footprint of our activities internally and tap potential for improvement at our locations. In fiscal 2022/2023, data was recorded for 56 out of 71 production and propagation sites and used as the basis for our scorecards. The next step will be to prepare the data for internal reporting and make it available throughout the Group.

### **2.4.2.3 Water**

Water is an important business resource for KWS as a breeding company. As part of our seed production and breeding processes, a water supply suitable for the needs of our plants is vital so that we can harvest healthy seed and ensure a high yield from propagation. As part of its global HSE management, KWS has committed itself to the resource-conserving operation of its processes. KWS strives to reduce water consumption and use the resource of water as efficiently as possible. To enable this, we record and monitor our global water consumption and have implemented internal stipulations on using water and handling effluents in order to promote resource conservation.



### **Use of fresh water and water stress**

Our internal HSE management system defines a global standard specifying that we aim to work in a way that conserves resources and to avoid process-related effluents as far as possible.

Our global water consumption is recorded and consolidated internally. We are striving to develop a normative key performance indicator for water use intensity and suitable auditing systems in the future. We are currently not aiming for an absolute reduction in water consumption due to our high dependency on weather conditions and the planned expansion of our business activities.

Alongside water consumption in offices and research buildings, the highest levels of fresh water are used in watering the plants at our trial and in-house propagation locations. “Smart” drip irrigation that controls watering based on the plants’ needs is already used in some of our greenhouses. We prescribe that the use of regenerative resources must be examined for new construction projects so that the use of groundwater can be reduced further. The location survey introduced in fiscal 2022/2023 to determine scorecards includes questions on the subject of water stress. This captures qualitative data about whether production sites rely on renewable water sources (currently 9 out of 56 production sites for which data is recorded) and whether locations are situated at or within areas of water stress (currently 22 out of 56 locations for which data is recorded). In fiscal 2022/2023, we collected data on detailed water consumption for the first time, covering around 80% of the sites.

## 2.4.2.4 Innovative Product Design

### Safeguard food production and support sustainable diets (Sustainability ambitions 2030)

Objective	Target in 2030	2022/2023	2021/2022
Annual yield progress	1.5% on average	1.3% <sup>1</sup>	n/a
Use of digital farming solutions on customers' fields	Use of digital solutions on >6 million hectares	2.5 million hectares	1.7 million hectares
Ratio of varieties for human nutrition	>40% of KWS' varieties can be used directly in human nutrition	63% <sup>1</sup>	n/a

<sup>1</sup> Recorded for the first time in fiscal 2022/2023, only for the German market

KWS keeps on developing innovative plant varieties that have to meet the differing requirements of farmers and consumers. We breed sugarbeet, corn, various cereals and vegetables, oilseed rape and catch crops and thus offer a broad range of products for conventional and organic farming. Innovation through plant breeding can help reduce the consumption of limited resources such as water, land and energy while increasing resource efficiency. Plant breeding is therefore an important factor in making agricultural cultivation more resource-efficient.

#### Product innovation made by KWS

We continuously develop varieties for agriculture further in our breeding programs. A particular focus of this – apart from the development of resistances, tolerances as well as nutrient efficiencies – is to increase yields. Among other things, high-yielding varieties help to alleviate pressures on land use in food production resulting from the rising world population.

This year, for the first time, we are able to report our average annual increase in yield based on breeding progress for Germany. Based on the test results of all varieties in official trials over the past 10 years, corn, wheat, barley, oilseed rape, rye and sugarbeet achieved an average yield progress of 1.3% p.a. for the German market. This key indicator is to be expanded to further countries and recorded globally

in the future. The results were derived from data from official approval authorities.

In addition to the genetic makeup of the plant varieties, digital services also contribute to yield progress. KWS supported farmers on around 2.5 (1.7) million hectares with digital solutions by the end of fiscal 2022/2023. These solutions can be used to calculate the seed rate for specific subplots or to determine when to harvest plants, for example. As part of our Sustainability Ambition 2030, we aim to expand that figure to more than 6 million hectares.

In addition, our goal is for more than 40% of KWS' varieties to be suitable and intended for direct human consumption or use in a plant-based diet. The share of varieties intended by KWS for direct use in human nutrition was 63% for the German market in fiscal 2022/2023. Recording of the portfolio will be extended to other markets in the following years. The portfolio of varieties differs from Germany in other markets. Consequently, the target to be achieved by the Group remains at >40%. Since more and more people are adopting a mainly vegetarian diet, we intend to cater for this growing demand for plant-based foods. In addition to our existing vegetable portfolio, our goal is to develop nutrient-rich varieties for the global market that, when harvested, can be used in food directly or with little processing.

As part of its strategy for sustainable agriculture, KWS develops plant traits that are associated with lower yields but make plants more resistant to external influences or increase resource efficiency. Yield progress alone is not sufficient to measure advances by plant breeding. Further examples of our innovativeness are breeding successes in the crops sugarbeet and barley, which we describe in more detail in the Research and Development Report (see the Group Management Report).

KWS Fit4NEXT catch crop mixtures offer European farmers solutions that support typical crop rotations. As an important component in sustainable arable farming, they contribute in diverse ways to successful cultivation of the main crop. They protect the climate and soil, promote biodiversity and also help limit unwanted accompanying plants and harmful nematodes. They are also important in maintaining and creating humus in arable land. Catch crop mixtures containing legumes also enable CO<sub>2</sub> to be bound in the soil by fixing atmospheric nitrogen and also reduce the use of fertilizer. A digital tool has been developed for the pilot market Germany in fiscal 2022/2023 that will be able to show farmers the specific performance figures of numerous KWS Fit4NEXT catch crop mixtures starting in fiscal 2023/2024.

In addition, we have worked for years on developing biologicals as an alternative or complement to chemical means of seed treatment. They comprise microorganisms such as fungi and bacteria, as well as substances obtained from plants or microorganisms. We have treated sugarbeet, oilseed rape, corn and rye seed with biologicals since fiscal 2019/2020. Biological applications for further crops, such as sorghum, barley, spinach and beans, are being developed. In fiscal 2022/2023, we submitted further applications for approval so that biological seed treatments developed by us can be offered in further countries in the future. Moreover, we are now also establishing biologicals as part of seed treatments in international markets such as Brazil (corn) and North America (sugarbeet).

We are working to expand our portfolio of varieties for organic farming. As part of this, we have hired new personnel with specific expertise in organic farming for our breeding activities and for our trial technology in the past years. In addition, our trial areas were expanded and the quality of trials was improved by means of statistical analyses. Variety candidates for winter rye and winter wheat, which have been selected with regard to the requirements of organic farming, are currently undergoing approval tests. KWS has had its own location for organic farming in Germany, the Wiebrechtshausen monastery estate, for 20 years.

#### 2.4.2.5 EU Taxonomy

The disclosures on the EU Taxonomy are made on the basis of Delegated Regulation (EU) 2021/2178 of the European Commission in conjunction with the International Financial Reporting Standards (IFRS) to be applied in the consolidated financial statements. Under Article 8 of the EU Taxonomy Regulation (EU) 2020/852 and the supplementary delegated acts, KWS is required to report the proportion of taxonomy-eligible and taxonomy-aligned net sales, capital expenditures (CapEx) and operating expenditures (OpEx) in relation to the environmental objectives of climate change mitigation and climate change adaptation for fiscal 2022/2023.

Taxonomy-eligible economic activities within the meaning of Article 1 No. 5 of the Delegated Act of July 6, 2021 to Article 8 of Regulation (EU) 2020/852 are those economic activities defined in Annexes I and II to the Delegated Act of June 4, 2021. Business activities that are not listed in these annexes or that do not match the descriptions of business activities given there are not deemed to be taxonomy-eligible.

In fiscal 2022/2023, taxonomy-eligible economic activities have to be assessed for environmental sustainability (taxonomy alignment) for the first time.

An economic activity is considered taxonomy-aligned if it meets the following technical screening criteria:

- it contributes substantially to the environmental objectives of “climate change mitigation” or “climate change adaptation”;
- it does not significantly harm the other environmental objectives (DNSH = Do No Significant Harm); and
- it is carried out in compliance with the minimum safeguards, such as observance of human rights (minimum safeguard criterion).

To determine whether activities meet the requirements for taxonomy eligibility, KWS' material business activities were compared with those defined by the taxonomy in Annexes I and II to the Delegated Act of June 4, 2021 and relevant activities were assessed. The analysis revealed that no net sales could be allocated to the activities under the EU Taxonomy. Capital expenditures (CapEx) and operating expenditures (OpEx) assigned to taxonomy-eligible activities are aggregated at the level of the relevant asset items and income statement accounts.

To avoid double counting, the activities were evaluated in terms of their impact on the aspects of climate change mitigation and climate change adaptation and assigned to one of the two aspects. As part of this, taxonomy-eligible activities that account for less than 1% (<1%) of KWS' capital expenditures (CapEx) or operating expenditures (OpEx) as defined by the EU Taxonomy are not considered material and are therefore classified as taxonomy-non-eligible. The taxonomy-eligible activities classified as non-material total less than 2% of capital expenditures (CapEx) and less than 1% of operating expenditures (OpEx) in fiscal 2022/2023. The taxonomy-eligible activities relate to transportation by means of passenger cars and light commercial vehicles as well as the renovation and construction of buildings.

Taxonomy alignment is examined on the basis of the technical screening criteria for each economic activity.

Fulfillment of the criteria relating to a substantial contribution and DNSH was verified by querying business partners (e.g., lessors) as well as by means of our own analyses. This included screening of relevant locations for potential physical climate risks relating to the DNSH criterion of “climate change adaptation.”

The minimum safeguard criterion was also analyzed for the KWS Group. Existing company guidelines and risk management processes relating to compliance and anti-corruption, among other things, were used in the examination.

The compliance review revealed that not all necessary criteria could be met at present. In particular, information could not be provided by business partners. In addition, not all minimum safeguard criteria are currently addressed by means of formal processes at present.

Internal processes were initiated in fiscal 2022/2023 with the goal of ensuring formal compliance with these criteria in the future.

#### **Net sales**

As a plant breeding company, our core business activities are not currently defined in Annexes I and II to the Delegated Act of June 4, 2021. Consequently, our revenue-generating activities for the fiscal 2022/2023 are not taxonomy-eligible. The taxonomy-non-eligible net sales totaled €1,819.8 (1,539.5) million in fiscal 2022/2023 (see the Notes for the KWS Group, number 6.1).

#### **Operating expenditures (OpEx)**

No material taxonomy-eligible operating expenditures (OpEx) were identified. The taxonomy-non-eligible operating expenditures (OpEx) in fiscal 2022/2023 totaled €337.3 (308.9) million and mainly comprise R&D spending and expenditures on repairs and maintenance.

#### **Capital expenditures (CapEx)**

There are capital expenditures (CapEx) that were able to be assigned to taxonomy-eligible activities. These activities are exclusively assigned to the environmental objective of climate change mitigation.

In fiscal 2022/2023, there were taxonomy-eligible capital expenditures (CapEx) totaling €30.6 (27.0) million, or 24.66% (26.09%) of the KWS Group's total capital expenditures of €124.0 (103.5) million (see the Notes for the KWS Group, number 5 and 7.15). There were thus taxonomy-non-eligible capital expenditures (CapEx) of €93.4 (76.5) million, or a share of 75.34% (73.91%). The taxonomy-eligible proportion of the capital expenditures is mainly attributable to activities in connection with transportation by means of passenger cars and light commercial vehicles as well as the renovation and construction of buildings. No taxonomy-aligned activities were identified.

## Taxonomy reporting turnover

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria				
				Climate Change Mitigation (CCM) (5)	Climate Change Adaptation (CCA) (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)
		T€	%	%	%	%	%	%
<b>A. Taxonomy-eligible activities</b>								
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>								
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0	-	-	-	-	-
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)</b>								
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0	0					
<b>Total (A.1 + A.2)</b>		<b>0</b>	<b>0</b>					
<b>B. Taxonomy-non-eligible activities</b>								
<b>Turnover of taxonomy-non-eligible activities (B)</b>		<b>1,819,802</b>	<b>100</b>					
<b>Total (A + B)</b>		<b>1,819,802</b>	<b>100</b>					

## Taxonomy reporting operating expenses (OpEx)

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria				
				Climate Change Mitigation (CCM) (5)	Climate Change Adaptation (CCA) (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)
		T€	%	%	%	%	%	%
<b>A. Taxonomy-eligible activities</b>								
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>								
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0	-	-	-	-	-
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)</b>								
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0	0					
<b>Total (A.1 + A.2)</b>		<b>0</b>	<b>0</b>					
<b>B. Taxonomy-non-eligible activities</b>								
<b>OpEx of Taxonomy-non-eligible activities (B)</b>		<b>333,297</b>	<b>100</b>					
<b>Total (A + B)</b>		<b>333,297</b>	<b>100</b>					



Bio-diversity and eco-systems (10)	DNSH						Minimum safe-guards (17)	Taxono-my-aligned pro-portion Turnover 2022/2023 (18)	Taxono-my-aligned pro-portion Turnover 2021/2022 (19)	Category (enabling activity or) (20)	Category (transi-tional activity) (21)
	Climate Change Mitigation (CCM) (11)	Climate Change Adaptation (CCA) (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Bio-diversity and eco-systems (16)					
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
-	-	-	-	-	-	-	-	0	n/a		

Bio-diversity and eco-systems (10)	DNSH						Minimum safe-guards (17)	Taxono-my-aligned pro-portion OpEx 2022/2023 (18)	Taxono-my-aligned pro-portion OpEx 2021/2022 (19)	Category (enabling activity or) (20)	Category (transi-tional activity) (21)
	Climate Change Mitigation (CCM) (11)	Climate Change Adaptation (CCA) (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Bio-diversity and eco-systems (16)					
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
-	-	-	-	-	-	-	-	0	n/a		

## Taxonomy reporting capital expenditure (CapEx)

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria				
				Climate Change Mitigation (CCM) (5)	Climate Change Adaptation (CCA) (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)
		T€	%	%	%	%	%	%
<b>A. Taxonomy-eligible activities</b>								
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>								
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0	-	-	-	-	-
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)</b>								
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	1,227	1					
Construction of new buildings	7.1	22,536	18					
Renovation of existing buildings	7.2	5,043	4					
Acquisition and ownership of buildings	7.7	1,771	1					
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		30,577	25					
<b>Total (A.1 + A.2)</b>		<b>30,577</b>	<b>25</b>					
<b>B. Taxonomy-non-eligible activities</b>								
CapEx of taxonomy-non-eligible activities (B)		93,442	75					
<b>Total (A + B)</b>		<b>124,019</b>	<b>100</b>					

Bio-diversity and eco-systems (10)	DNSH						Minimum safe-guards (17)	Taxono-my-aligned pro-portion CapEx 2022/2023 (18)	Taxono-my-aligned pro-portion CapEx 2021/2022 (19)	Category (enabling activity or) (20)	Category (transi-tional activity) (21)
	Climate Change Mitigation (CCM) (11)	Climate Change Adaptation (CCA) (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Bio-diversity and eco-systems (16)					
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
-	-	-	-	-	-	-	-	0	n/a		

## 2.4.3 Social Aspects

### 2.4.3.1 Consumers and End Users

We aim to offer farmers top-quality seed. To help us live up to this corporate objective, the entire process from breeding to seed processing is accompanied by extensive quality testing. KWS keeps on developing and establishing new technologies, processes and methods for improving product quality and safety.

KWS has established a Group-wide quality management system to support its quality assurance measures. It is an Integrated Management System (IMS), since various standards and requirements are pooled there. The IMS comprises our internal rules and regulations and process descriptions, as well as audit management for controlling internal and external audits. In this context, we undergo external certification to confirm that we meet key quality requirements. In addition

to common standards such as ISO 9001 and 14001, these certifications also include industry-specific standards. Based on the annual Management Review Report, the effectiveness of the Integrated Management System is regularly confirmed by the company's management and by means of internal audits.

The Field Explorer, for example, is used in plant breeding to enable digitization of KWS' own activities in the field. In this database-aided platform, field data is integrated on the basis of its coordinates and is available to breeders and researchers. Field Explorer is a new digital analysis method for field work and is already supporting plant breeding and seed production. The goal moving forward is to enable detailed field data from all KWS' breeding stations to be called up.

#### Overview of main certifications/accreditations<sup>1</sup>

Certifications/standards	Status
ISO 9001 (quality management) ISO 14001 (environmental management)	More than 90% of our German sites (as measured by the number of employees) are certified in accordance with ISO 9001 (quality management systems), and since fiscal 2022/2023 also in accordance with ISO 14001 (environmental management systems).
ETS – Excellence Through Stewardship	An industry-specific quality standard to ensure responsible handling of transgenic material. Here, too, the basic principles of quality management – “plan-do-check-act” – apply: Documented processes throughout the life cycle, training, defined quality controls, a network of local contact persons, internal and external audits, and a standardized approach to handling unforeseen events are key pillars of the system. The whole KWS Group has been certified in accordance with this standard since 2015. After successful completion of the audit cycle at the beginning of 2022, the certification was confirmed until 2024.
SeedGuard/Heubach	An industry-specific standard relating to proper use of seed treatments. Seven treatment facilities in Germany currently hold SeedGuard certification. A key component in this regard is abrasion testing in the laboratory using the Heubach method. The laboratory responsible for these tests holds Heubach CoP certification.
ISO/IEC 17025/2018 and ISTA (International Seed Testing Association)	Accreditation of KWS Lochow GmbH's seed laboratory at the Wohlde location in accordance with ISO/IEC 17025/2018 was successfully maintained in 2022. In addition, the laboratory was awarded industry-specific ISTA accreditation for the first time in 2022.
QualityPLUS	QualityPLUS is an internal quality standard for cereals.

<sup>1</sup> The full overview of all certificates can be found on our website under Quality & Stewardship.

### 2.4.3.2 Social Commitment

#### Foster social engagement (Sustainability Ambition 2030)

Objective	Target in 2030	2022/2023	2021/2022
Ratio of expenditures as part of our social commitment	1% of operating income (EBIT) p.a.	0.6%	0.8%

KWS sees itself as an active member of society and thus wants to translate its corporate values into active commitment. As a forward-looking company, KWS therefore assumes responsibility toward society. Our internal “Social Commitment” policy provides the framework for our engagement. The content of our activity in this area is geared toward the United Nations’ Sustainable Development Goals.<sup>1</sup> KWS focuses its supraregional social commitment on promoting education in the field of natural and agricultural sciences. KWS’ regional social engagement at its locations, both national and international, focuses on cultural, social and socioeconomic development in its – mostly rural – surrounding areas in order to increase the locations’ attractiveness as a whole.

KWS supports diverse long-term scholarship programs supraregionally in cooperation with various universities to encourage young scientists and is involved in development partnerships. In general, our social commitment is organized locally.

Fiscal 2022/2023 was marked by exceptional events. We continued our engagement for Ukraine and helped address current needs by

donating power generators, and we responded to the earthquake in Turkey and Syria by making donations to aid organizers on the ground, for example. The development partnerships in Ethiopia were completed at the beginning of fiscal 2022/2023. The cooperation and an associated scholarship in Peru are also in their final stages. Our focus moving ahead will be on the development partnership SeZIL (Seeds for Zambian Incomes and Livelihoods) in Zambia. As part of this, varieties for the region were already tested for the second year in cooperation with smallholders in order to give them better access to markets.

In the Einbeck region, the company facilitated staging of the “*Jugend forscht – Schüler experimentieren*” (“Youth Researches – School Students Experiment”) state contest (for 9 to 14 year-olds) for the second time, with the goal of lastingly inspiring children and young people for STEM subjects (science, technology, engineering and mathematics). In our international regions, a project involving a school garden in Brazil which we helped establish is particularly worthy of mention. The project aims to promote access to and the use of healthy food.

<sup>1</sup> No. 2 Zero Hunger and no. 17 Partnerships for the Goals

The importance of social commitment is underscored by our target of spending around 1% of our annual operating income (EBIT) on social commitment and social projects.

#### Expenditures as part of our social commitment

in € millions	2022/2023	2021/2022
<b>Expenditures as part of our social commitment<sup>1</sup></b>	<b>1.4</b>	<b>1.3</b>
of which for donations and development programs in Peru and Zambia	0.9	0.7
of which for sponsorship activities	0.5	0.6
<b>As a % of operating income (EBIT)</b>	<b>0.6</b>	<b>0.8</b>
<b>KWS SAAT SE &amp; Co. KGaA's percentage share of expenditures relative to the KWS Group's operating income (EBIT)</b>	<b>0.5</b>	<b>0.7</b>

<sup>1</sup> Does not include KWS Maroc SARLAU, KWS Vegetables Italia S.R.L., Kant, Hartwig & Vogel GmbH, Kenfeng – KWS Seed (Beijing) Co., Ltd. KWS, Vegetables Mexico S.A. de C.V., Aardevo B.V. and all joint ventures

#### 2.4.3.3 Own Workforce

##### Qualification, further training and development

KWS' long-term commercial success is founded not only on its employees' commitment and satisfaction, but also on their personal skills and professional qualifications. KWS' range of education and development offerings is diverse and supports various learning objectives. We support our employees with tailored education and further training measures to help them build on their expertise and abilities.

Individual performance and career development reviews between employees and their managers are held once a year with the aim of helping our employees advance further. KWS has also implemented an annual talent and successor management process covering the critical positions up to the third tier and all employees up to the fourth tier below the Executive Board. In this way, we aim to ensure qualified staffing of these critical positions at KWS in the medium and long term. The Orientation Center (OC), a concept involving an intensive evaluation of potential talents to take over senior management posts, was staged twice in fiscal 2022/2023 and will also be held in the future at least twice a year with six talents each time.

We are particularly committed to having all employees receive qualified and values-based leadership and support from their managers. Rollout of the core competency model Leadership Capability Model (LCM) for managers began in fiscal 2022/2023 in the form of workshops and evaluations at the top management level and will be continued in the next fiscal 2023/2024. In addition, the new model has been integrated into the ongoing development offerings under our management development program.



Our management development program was also continuously expanded and continued in fiscal 2022/2023. The “Leading Leaders” module developed in the last fiscal 2021/2022 for experienced managers who themselves lead executives in their area of responsibility was rolled out in May 2022 and has since been an integral part of the management development program. In fiscal 2022/2023, 170 employees started or completed one or more of the modules “Leading Self,” “Leading Individuals” or “Leading Leaders.”

The Business Partner Academy, which was launched in 2020 to support implementation of the Business Partner role, was continued in fiscal 2022/2023. It comprises development measures focusing on the role of Business Partner and necessary key competencies and on imparting more in-depth knowledge of KWS’ business activities. In fiscal 2022/2023, around 45 business partners participated in various modules. The program will be given a more compact design in fiscal 2023/2024 and offered to future and new Business Partners.

KWS’ learning management system was further expanded in fiscal 2022/2023, making our international training and development offerings more transparent and easier to access for our employees. This also comprises our internal subject-specific academies, such as the International Sugarbeet Academy, the Sales and Farming Academy, and the various self-learning offerings. They include the digital onboarding program and self-learning offerings to deepen English language skills, video learning offerings from LinkedIn Learning, and e-books and audio books from Bookboon on various competencies.

True to KWS’ brand essence “Make yourself grow,” we also intend to focus on developing our employees and managers in the future and are continuously expanding our training portfolio nationally and internationally to achieve this.

#### **Labor and social standards**

KWS regards compliance with acknowledged human rights, labor and social standards and responsible conduct toward one another as a fundamental element of its commercial activity. We therefore aim to ensure good working conditions and establish and maintain labor and social standards.

#### **Human rights**

KWS is committed to internationally recognized human rights standards, such as those of the UN’s Universal Declaration of Human Rights and the International Labour Organization (ILO) proscribing child, forced and compulsory labor. As part of implementation of the German Supply Chain Due Diligence Act, which will apply to KWS from January 1, 2024, we are planning to establish appropriate processes for our supplier management and publish new standards in a Human Rights Policy.

#### **Labor standards**

The working conditions of employees of the KWS Group are defined contractually and comply with local labor, tax and social insurance legislation. The overall compensation package for KWS employees takes into account their individual expertise, professional experience and local market circumstances. Depending on general local conditions, it consists of a basic salary, social benefits, performance-related payment components (if applicable), benefits in kind (if applicable) and Employee Stock Purchase Plans enabling staff to buy shares in the company.

### Non-discrimination

KWS is committed to the principle of non-discrimination and to equal opportunities and rights for its employees, regardless of religion or belief, ethnic origin, age, handicap, skin color, language or sexual orientation. We have enshrined this in our Code of Business Ethics, which is binding on all employees.

### Diversity

We believe that diversity of our employees, as displayed in their individual experience, knowledge, skills and ideas, is a key value and a competitive advantage. To further strengthen an inclusive corporate culture, a “Diversity, Equity & Inclusion” concept was developed in fiscal 2022/2023, with an initial focus on the diversity dimensions of age, gender and nationality. KWS aims to increase the ratio of female managers, for instance.

#### Ratio of female managers at the KWS Group

Objective	Target in 2030	2022/2023	2021/2022
First management tier	25% <sup>1</sup>	19%	21%
Second management tier	30% <sup>1</sup>	27%	28%

<sup>1</sup> The targets apply up to fiscal 2026/2027.

At KWS SAAT SE & Co. KGaA, the ratio of women in the first management tier is 24% (24%) and the target is 25%<sup>1</sup>, while the ratio in the second management tier is 29% (27%) and the target 30%<sup>1</sup>.

### Freedom of association

We are committed to upholding ILO 87 “Freedom of Association and Protection of the Right to Organise Convention” and ILO 98 “Right to Organise and Collective Bargaining Convention.” Employees’ interests are represented collectively to

management by the locally elected Works Councils and the persons entrusted with representing young people and trainees and disabled employees. We also have a European Employees’ Committee (EEC), a body that represents European employees and is responsible for cross-border matters within the EU. We respect freedom of association and the right to collective bargaining. We actively supported the establishment of a Central Works Council in the Netherlands in December 2022. There are also two employee representatives on the Supervisory Board of KWS SAAT SE & Co. KGaA.

#### 2.4.3.4 Responsibility in the Supply Chain

KWS requires all employees within our Group to comply with our standards on ethical and socially responsible conduct. Our value system and the Code of Business Ethics form the framework for this. We also demand the same from our suppliers and service providers (termed “suppliers” in the following). The suppliers we choose must commit to obeying our Code of Business Ethics. The code states, for example, that our suppliers must not permit forced labor or child labor and must comply with the regulations on the minimum age for admission to employment defined in the latest version of ILO Convention No. 138 (Minimum Age Convention). They are also to comply with the provisions on safety at work, product safety, protection of the environment and avoidance of corruption, as well as on the requirement to ensure fair competition and protection of personal data and third-party know-how.

The central sourcing concept aims to support standardized and cost-effective cooperation with external partners and observance of specific social or environmental standards. We will also include requirements from the German Supply Chain Due Diligence Act, which will be binding on KWS from

<sup>1</sup> The targets apply up to fiscal 2026/2027.

January 1, 2024, or the expansion of our emissions management to cover Scope 3 emissions in our sourcing concept and related purchasing processes in the future.

Our goal is to strengthen sustainability in the supply chain by means of a centralized system that increases efficiency and productivity and minimizes the ecological footprint of our supply chain. Our Sourcing Policy, which defines the fundamental principles in the procurement process, and a largely centralized process landscape are the basis for making sure that our purchasing transactions worldwide can be conducted in accordance with consistent regulations. Purchase agreements

relating to the supply of goods and services are concluded on the basis of standardized templates and specify the general conditions, including application of the Code of Business Ethics for Suppliers. A central Seed Purchasing Policy stipulates that these standards are also to be applied in agreements concluded with external seed propagation partners.

KWS has centralized its supplier data management over the past years. Eight strategically important suppliers were audited for the first time in fiscal 2022/2023. We aim to automate management of sourcing risks in fiscal 2023/2024; implementation of this was already commenced in fiscal 2022/2023.

### 2.4.3.5 Working Conditions

#### Foster social engagement (Sustainability Ambition 2030)

Objective	Target in 2030	2022/2023	2021/2022
OSHA incident rate at the KWS Group <sup>1</sup>	<1.0	1.6	1.3 <sup>2</sup>

<sup>1</sup> Per 200,000 working hours  
<sup>2</sup> The previous year's figures have been adjusted.

#### Occupational health and safety

The health and safety of our employees at all locations has top priority for us. The organization of occupational health and safety is a core management task. KWS has therefore set itself the goal of recording occupational accidents globally and reducing them in the long term. As part of this an OSHA (Occupational Safety and Health Administration) incident rate was determined and published for the first time in fiscal 2021/2022. This is a method of calculating the frequency of lost-time occupational accidents and is used to compare the accident frequency rate of individual industries and locations.

KWS has a globally oriented HSE (health, safety and environment) management system and cross-functional crisis management system. Our internal occupational safety standards comprise technical, organizational and occupational health measures to prevent accidents and diseases at work. We review our local and international safety standards annually by means of internal audits. The Health, Safety & Environment (HSE) Guideline is a key tool in this regard and defines global framework conditions. Among other things, it states that the respective manager must ensure occupational accidents are recorded.

To date, worldwide accident figures have been recorded on a consolidated basis in two fiscal years, which is why a reliable assessment of the accident frequency rate over time is only possible to a limited extent. A direct comparison with other industries indicates that KWS has a relatively low accident rate. Most accidents occur at our breeding and production sites. The OSHA incident rate for KWS SAAT SE & Co. KGaA is 2.6 (1.9) per 200,000 working hours.

Achieving the goal under the Sustainability Ambition 2030 of reducing occupational accidents in the long term by 2030 should, from today's perspective, be reflected in an accident frequency rate of <1.0. To achieve this, the focal areas of accidents are assessed, after which targeted measures are taken in the form of training or, if necessary, decisions to change work processes.

#### **Recruitment and employee loyalty**

In rapidly changing times, it is particularly important for us to understand the needs and expectations of our employees even better and leverage those insights to create and continuously enhance an inspiring working environment. The goal is for all employees to feel valued, respected and motivated to contribute to the company's success.

To support this goal, we plan to roll out an Employee Engagement Index with the aid of a global employee survey. The resultant key figures are to enable us to take data-driven and effective measures to further strengthen our employees' satisfaction and sense of belonging lastingly. The concept for rolling out the index and selection of potential partners was initiated in fiscal 2022/2023.

To keep on enhancing recruitment at KWS and promoting employee loyalty, we launched a project in fiscal 2022/2023 to analyze the path taken by an applicant from being a candidate to becoming an employee in greater detail. A particular focus here is on improving the application and selection processes in order to provide candidates with a faster, more transparent and more appealing solution.

To establish contact with potential applicants, KWS uses traditional as well as digital channels, such as social networks like LinkedIn, Xing, Glassdoor, Kununu and Facebook. On these employer platforms, we were able to increase the number of our direct followers with targeted campaigns and job advertisements on the networks (an example: we had around 130,000 followers on LinkedIn in June 2023, a figure that had risen to around 107,000 in June 2022). In addition, we tested other target group-specific Internet platforms, such as Devlane, Stack Overflow, GitHub and ResearchGate, in fiscal 2022/2023 and integrated them into our personnel marketing activities.

At career fairs in which we participated in fiscal 2022/2023, students had the opportunity to take part in company presentations and workshops and engage in direct dialogue with KWS employees. Through the position of Lead of Global Scientific Affairs, we engaged in intensive and direct dialogue with universities and research institutes in the field of research and development in order to deepen our cooperation with them, with the goal of recruiting employees. We continue to award scholarships at universities and offer a global program for graduates. In Germany, 69 (63) trainees were employed in vocational training and eight (seven) students were on dual courses of study as of June 30, 2023.

We continue to believe that it is important to take the changing individual life circumstances of employees into account, especially as regards organization of their working time. Depending on their field of activity, we therefore offer various working time models, which allow them to strike a good work-life balance. Apart from the possibility of mobile working, we also offer various part-time models on a temporary or permanent basis, where legally and operationally feasible.

## 2.4.4 Governance

### 2.4.4.1 Business Ethics and Compliance

#### Access to the Compliance Portal

Objective	Target in 2030	2022/2023	2021/2022
Access to the Compliance Portal	95%	80% <sup>1</sup>	80%

<sup>1</sup> Adjusted calculation excluding seasonal workers

Compliance with basic principles of business ethics is vital to our license to operate. Accordingly, the compliance rules apply to all employees in the KWS Group. This is the foundation for KWS' vision and mission of compliance, namely to gain and retain customers' trust through ethical conduct and to protect the company's employees, reputation and assets. Information, training and continuous intensive consulting help integrate compliance in business processes and support management in making business decisions rooted in, and consistent with, our corporate culture.

#### Code of Business Ethics

Our Code of Business Ethics, with its accompanying guidelines defining the basic regulations relating to compliance with the law, fair competition, prevention of corruption and money laundering, safety at work, protection of the environment, and the need to treat each other, customers, business partners, other third parties and public authorities with respect, gives our employees crucial guidance in their day-to-day work. All employees undertake to comply with the code by signing a commitment to do so when they are hired and are provided with generally applicable information on compliance, as well as related information specific to their function.

Our Code of Business Ethics also covers the issue of international anti-corruption management as an integral part of our compliance system. On the basis of the regulations in the code, there is a policy of zero tolerance toward any form of corruption at the KWS Group, and this principle is stipulated as a Group-wide standard in the Anti-Corruption

Policy. This standard applies regardless of whether bribery is prohibited by law, tolerated or permitted in the country in question. The Group-wide Anti-Corruption Policy defines the responsibilities, processes and regulations in relation to preventing corruption and bribery at the KWS Group.

#### Compliance training

The Compliance Officers regularly provide information about the compliance system and its principles, as well as about frequently asked questions and the latest developments, in training courses, information events and workshops. Apart from this information, a broad range of aids is also available to our employees. Checklists, toolkits, instructional leaflets and other guides provide practical tips on observing compliance rules in everyday work. All compliance information and rules of conduct can be accessed by employees worldwide in the Compliance Portal on KWS' intranet. Around 80% (80%) of the total workforce has access to the Compliance Portal. In addition, all supervisors are obliged to inform their employees about compliance issues.

In fiscal 2022/2023, the e-learning courses we offered were expanded and used to a greater extent. Of the invited employees,

- 56% completed the training tool on anti-corruption and antitrust law,
- 46% the data protection training and
- 66% the training in prevention of money laundering.

### Reporting of violations / whistleblower hotline

If an examination or report reveals indications of a compliance violation, the investigation is conducted in accordance with KWS' regulations "Procedures of Internal Compliance Notification." KWS' employees are obligated to report suspected violations; the open door principle applies to this. Employees can supply information on suspected violations to their supervisor, to the Compliance department or to the Compliance Reporting Platform. The Compliance Reporting Platform also acts as a whistleblower hotline and can be called by employees and external third parties from our homepage in more than 50 languages 24/7. Reports of suspected violations can also be submitted anonymously. The reported cases are investigated by KWS. Whistleblowers do not suffer any disadvantages unless they have obviously abused their right to report violations. They receive confirmation that their report has been received and may be contacted via the portal and asked to provide further information. Finally, whistleblowers are informed when the investigation has been completed.

If suspected cases prove to be violations, the system of sanctions is applied. In general, it can be applied to all types of compliance violations. The system of sanctions defines various criteria

governing the measures to be taken, such as the gravity of the violations, the degree of the person's breach of duty, the functional level, behavior after the violation – help in investigating it or attempts to cover it up – as well as consequences of the violation, such as the threat of damage or actually incurred damage. The sanctions range from cautions or warnings to immediate dismissal and filing of charges.

### Violations in fiscal 2022/2023

No significant violations of the international Anti-Corruption Policy or antitrust or money laundering regulations resulting in disciplinary consequences or official measures such as fines were reported to the compliance function in fiscal 2022/2023. However, there were two reportable data protection violations, which were immediately reported to the relevant authorities and dealt with internally.

### Adequacy of the Compliance Management System

Implementation and observance of individual compliance aspects are reviewed as part of audits. The Executive Board and the Supervisory Board's Audit Committee are informed once a year about the current status and latest developments of the Compliance Management System.

### 2.4.4.2 Ownership Rights to Genetic Resources

#### Incidents under the ITPGRFA contract

Objective	Target in 2030	2022/2023	2021/2022
ITPGRFA incidents	No incidents under the ITPGRFA	0	0

KWS runs a broad network of worldwide stations and trial fields for plant breeding. We test different genetic material for the respective application areas there. Where this genetic material is used, the rights of the indigenous peoples in all regions the material originates from must be respected.

KWS is aware of its obligations in this regard and supports the various international access and benefit-sharing frameworks to protect the

rights of indigenous peoples and sustainable use of biodiversity. Of prime mention in this respect are the Convention on Biological Diversity with the Nagoya Protocol and the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). The ITPGRFA aims to preserve the genetic diversity of crops and use it sustainably. KWS is committed to complying with the stipulations of the ITPGRFA and has thus set a target of zero incidents under the ITPGRFA.



KWS works through industrial associations, such as Euroseeds and the International Seed Federation (ISF), to ensure practicable means of securing sustainable access to genetic resources and preserving them now and ensuring fair benefit-sharing in the future. To achieve this, KWS concluded the required Standard Material Transfer Agreements (SMTAs) in fiscal 2022/2023 when accessing genetic resources covered by the ITPGRFA.

We have implemented a due diligence process to ensure compliance with these guidelines. All employees who work with genetic material are obligated to digitally register all materials used. Our Intellectual Property department then instigates an examination of where the genetic material has come from. If an examination should find that the origin of the genetic material or the process by which it was obtained is unclear, we refrain from using it. If this material were already being used commercially by KWS, that would constitute an infringement. In addition, new employees are offered training, and an annual seminar is held for all the employees involved.

No such incidents were identified as part of the above due diligence process in fiscal 2022/2023. As part of the Breeding Information Circle, KWS works to optimize IT processes relating to the documentation and approval of access to new genetic resources. The Breeding Information Circle, which is currently being developed, is a digital platform for integrating research information on all of KWS' crops. It enables information currently stored and used in individual tools to be linked and aggregated.

There is regular dialogue during the year with the Executive Board member responsible for research and breeding both in the context of the semiannual meetings of the ISF and also as and when required. An annual report to the Executive Board is only drawn up if specific issues or incidents have been identified as part of the due diligence process.

Access to genetic resources is also important with regard to intellectual property. This is why there is variety protection in plant breeding. It protects intellectual property, as well as ensuring access to protected varieties by means of the breeder's exemption (Section 10a of the German Plant Variety Protection Act (SortG)) so that they can be used for further breeding. At the same time, patented traits that have been technically developed and are intended to offer resistance to pests or diseases, for example, are increasingly found in plant varieties. This trend will probably intensify as new breeding methods grow in importance. These traits have not yet been accessible for breeding in all European countries; KWS is therefore a strong advocate of licensing platforms that enable guaranteed access to genetic material and traits on fair terms. KWS is thus a member of the International Licensing Platform Vegetable (ILP) and a member of the Agricultural Crop Licensing Platform (ACLP). In addition, KWS offers its own patents on its own TraitWay website for licensing to interested parties, who can obtain a free breeding license for the patents offered in TraitWay there.

## 2.5 Opportunity and Risk Report

The opportunities and risks as part of our business activity as an international plant breeding company, as well as the processes for identifying them, are described in the following.

### 2.5.1 Opportunity Management

#### Strategic opportunities

By strategic opportunities, we mean developments that are of major importance for the KWS Group and may have a lasting positive impact on our commercial success. In particular, we see major strategic opportunities as part of the growing importance of promoting the sustainable further development of agricultural practice. Our breeding processes are geared toward delivering new variety traits to achieve continuous improvements in yield and – alongside other breeding objectives – reduce the use of fertilizer and pesticide. As a result, we give our customers the potential to cut costs and enhance their emission footprint in the battle against climate change. Our diverse product range enables soil-conserving crop rotations, fosters humus formation to bind emissions, and serves conventional and organic markets. We want to provide new varieties in order to further expand the range of products for direct and balanced human nutrition.

We can leverage these opportunities successfully only if we keep on improving our company in the areas of economics, ecology, social aspects and governance. To this end, we conduct internal analyses, set ourselves challenging goals, such as under the KWS Sustainability Ambition 2030, and work unswervingly toward achieving them. In our strategic planning, we regularly review whether our objectives are still appropriate. The strategic planning covers a ten-year time frame and is jointly formulated on a rolling basis, discussed and adopted by the Executive Board. Our strategy processes are oriented toward identifying future trends in good time, analyzing them and translating them into innovative company processes by means

of strategic initiatives. We take new findings into account by adapting our administration or opening new lines of business, for example. We wish to report on our progress transparently. We will therefore expand the key performance indicators we publish in the future.

In addition to the fundamental goal of sustainable development of agriculture as described above, we see further strategic areas of opportunity and risk for the KWS Group. We summarize them below.

#### Innovative varieties and product performance

To succeed in achieving sustainable, profitable growth in the future as well, our prime goal must be to retain and increase our innovativeness – especially in times of climate change, when resilient varieties that deliver reliable yields are expected to play an increasingly important role. It is vital to increase plants' yield potential, enhance resource efficiency or develop their resistance and tolerance to detrimental influences, of whatever type. This requires continuous and intensive research work. It takes up to 10 years for a new variety to gain approval and be put on the market. We therefore invest a large proportion of our net sales in research and development projects every year, with the goal of achieving an average yield progress of 1.5% p.a. Alongside the opportunities that arise, our complex research and breeding processes are subject to risks that may result in local weaknesses in our portfolio. They include internal factors, such as technical problems and process delays, and external factors such as changing disease patterns as a result of climate change or restrictions on the use of operating resources. The varieties we develop must meet high quality requirements. The performance of our varieties is reassessed every year by management and the Supervisory Board so that we can respond immediately to weaknesses in our portfolio if necessary.

Plant breeding has great potential to make agricultural processes more sustainable through

continuous and proactive further development. The development and use of innovative crop rotations, new cultivation systems, new resistances and tolerances or nutrient efficiencies have the potential to increase and stabilize yields, reduce the use of resources such as fertilizer, pesticide or water, and increase biodiversity. Higher yields can also result in less cultivation area being required. The carbon footprint per unit yield can be reduced with more efficient plant varieties, which thus helps in the battle against climate change. KWS is working to develop such products, crop rotations and cultivation systems to leverage this potential.

### **Modern breeding technology**

State-of-the-art breeding technologies and analysis methods are used in developing new resource-conserving varieties so as to speed up our development work and improve its precision. The new breeding methods complement plant breeders' toolset and offer additional opportunities to improve plants in a targeted way through breeding. The consequences of climate change, new harmful fungi, and the desire for less fertilizer on the field and high-quality agricultural products: Plant breeders are responding to all these challenges demanded of sustainable agriculture by delivering new varieties and using the most suitable breeding technologies for this. New data analysis methods also increase efficiency in plant breeding and agriculture. Agricultural areas can be farmed in a tailored way thanks to automated communication, big data analytics, robotics or artificial intelligence. Drones and satellites, for example, supply information that helps improve analysis of plant stands in the field. As a result, infestation by pests or infection by diseases can be detected quickly, pinpointed and combated in a targeted manner. Pinpointing where crops are infested or infected helps reduce the use of pesticides and the number of times machines have to run over the field. These technologies will gain in practical relevance in the future. We already use them in our research and breeding processes. We need to develop and establish new, highly promising technologies in order to avoid risks such as competitive disadvantages.

### **Changes in demand**

New, permanent customer needs – differing from region to region – are emerging and this entails long-term opportunities and risks. While meat consumption in countries such as Germany, France or Italy has declined continuously in recent years, for example, it continues to grow in other countries such as China, Russia or Portugal. The product portfolio for agriculture must therefore be broad so that opportunities that arise can be seized and one-sided dependencies can be reduced. We take into account relevant long-term trends by establishing and expanding new product lines and by including new crops in our portfolio. We are also committed to expanding our direct contact with customers on a lasting basis so that we can sell our products successfully. We already have a presence in global sales networks and so can be reached directly by our customers.

### **Operational opportunities**

By an operational opportunity, we understand a development that is consistent with our strategic planning and might have a positive short-term impact on our earnings, financial position and assets and has not yet been reflected fully or at all in the company's financial planning. Operational opportunities are identified and assessed by our Business Units. We leverage them by pinpointed investment in production capacities, research and development activities and expansion of distribution, for example.

We have opportunities as a result of our still young activities in the vegetables market or expansion of our portfolio of corn varieties in tropical regions. Our corn activities in Brazil will enable us to tap additional sales potential for the KWS Group in the medium to long term, including in other tropical markets, by developing varieties tailored to their climatic conditions.

Investing in expansion of our production capacities and modernization of our seed processing offers opportunities in existing and adjacent markets. Further development of our variety portfolio and expansion of capacities are accompanied by

expansion of our international distribution structures to enable tailored information and advice for our customers on the possible uses of our seed and so allow us to leverage further sales potential. In addition, continuous optimization of processes offers the KWS Group opportunities to increase productivity and digitization and improve cost structures.

Recording of operational opportunities is integrated in risk management.

## 2.5.2 Risk Management

### Risk management strategy and objectives

The objective of the KWS Group's central risk management is to identify high risks at an early stage, mitigate financial, reputational, environmental, legal, strategic or health-related damage, and ensure compliance with key corporate principles and social standards. We consequently understand the term "risks" as denoting events and potential developments, both inside and outside the KWS Group, that have a negative impact on achievement of our corporate objectives or principles. This also includes events that impair our value chain and harm the environment and which we can influence (outside-in/inside-out perspective).

We strive to address risks openly. A proactive and open risk culture is part of this. Speaking about risks should be established practice in our daily work. KWS applies an entrepreneurial attitude to risk, i.e., deliberate risks can be taken if that offers opportunities that are consistent with the KWS Group's strategic planning and corporate objectives. If a risk does not entail any relevant opportunities, or if risks jeopardize achievement

of the Group's key financial targets (10% EBIT margin, at least 5% net sales growth), they are to be avoided or their impact must be reduced as far as possible, taking cost-benefit considerations into account. Violations of the law and important corporate principles, such as respect for human rights, are totally unacceptable. To assess our risk-bearing capacity, we compare our equity and liquidity with the aggregate risk situation and also look at strategic key financial indicators such as the anticipated EBIT margin. As part of this, we also consider anticipated developments for the coming fiscal year. The results are included in the Executive Board's overall assessment of the risk situation.

### Responsibility

The Executive Board is responsible for Group-wide risk management. The Supervisory Board or the Audit Committee reviews the risk management system at least once a year to assess its suitability and effectiveness. It is assisted in this by the independent auditor of the financial statements as part of its statutory audit assignment and periodically – as mandated by the Supervisory Board – by Internal Auditing. In addition, a Risk Committee consisting of representatives from all divisions who have a good knowledge of the issue of risks has been established. It usually convenes twice a year, discusses and reviews the risks maintained in the risk management system and measures to control them, and formulates recommendations for the Executive Board, if necessary. The responsibility for identifying, assessing and controlling risks lies with the divisions, while central risk management coordinates the processes and ensures reporting to company management. Other roles in our risk management are specified in the chart "Players and systems in managing risks at KWS."

## Players and systems in managing risks at KWS based on the Three Lines of Defense model

Supervisory Board		
Executive Board		
Risk Committee		
Central Risk Management		
Divisions (1st line)	Control and monitoring systems (2nd line)	Process-independent controls (3rd line)
<ul style="list-style-type: none"> <li>■ Business Units</li> <li>■ Research &amp; Development</li> <li>■ Global functions</li> </ul>	<ul style="list-style-type: none"> <li>■ Controlling (incl. early detection)</li> <li>■ Internal control system, accounting processes</li> <li>■ Compliance Management</li> <li>■ Risk Management</li> <li>■ Other systems (such as Quality Management, Stewardship, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Internal Auditing</li> </ul>
<b>KWS governance (vision, mission, Group Standards, etc.)</b>		

### Central risk management processes

Our central risk management process consists of the phases of identification, assessment, control, documentation, monitoring of risks and risk reporting. It is conducted regularly, usually twice a year. As part of risk identification, we record individual risks on an electronic platform and assess them qualitatively or quantitatively on the basis of Group-wide standards, in each case before (gross risk) and after (net risk) any countermeasures. As part of this, we calculate expected monetary values for all risks and classify the risks as “moderate,” “medium” and “high.” This enables end-to-end comparability of all recorded

risks, which in turn forms the basis for prioritizing risk control measures. We query linkages between risks as part of risk identification, document them and take them into account in risk assessment in evaluating the likelihood of their occurrence. We record risks that impact our short-term (one-year), medium-term (four-year) and long-term (ten-year) planning horizon. The individual risks are classified as follows:

We decide systematically on what appropriate countermeasures to take to manage risks, in particular high risks. They may be measures to reduce risks, constant monitoring of them or taking

### Scheme for assessing individual risks

		Likelihood of occurrence			
		Unlikely < 10%	Possible 10%–50%	Likely 50%–90%	Almost certain ≥ 90%
Financial impact (EBT)	<b>Very low</b> €0.1 million–€3.0 million				
	<b>Low</b> ≥ €3 million–€7.5 million				
	<b>Medium</b> ≥ €7.5 million–€15.0 million				
	<b>High</b> ≥ €15 million				

In the risk situation section, we report risks in the area framed in black.

### Risk classification for single risks

Risk level	Risk score
Moderate	Smaller than 1
Medium	Between 1 and 5
High	Above 5

out insurance, or the acceptance of risks (where no measures are possible or make economic sense), for example. The KWS Group's current risk situation is aggregated by central risk management into risk categories and reported first to the Risk Committee. On that basis, the Risk Committee discusses how to deal with the risks and submits recommendations to company management if required. Central risk management coordinates the entire risk management process and supports the departments in their tasks. In designing the system, we are guided by applicable standards such as the COSO II Framework.

We meet the statutory requirements for early detection of risks with our financial controlling and risk management processes. To supplement the central risk management process, we carry out standardized, monthly early risk identification processes with the product segments and Research & Development and report their results in writing to KWS' top two management tiers.

#### Control and monitoring systems<sup>1</sup>

We structure the internal control system at KWS on the basis of the Three Lines of Defense model. It enables a systematic approach to monitoring and managing risks. We make a distinction here between three different levels (see also the chart "Players and systems in managing risks at KWS based on the Three Lines of Defense model"):

### Formula assessment of single risks

Risk scoring
Net financial damage (in € million) × net likelihood = risk score for an individual risk

**1st line:** Decentralized risk management by the divisions, such as transaction controls, quality controls, certification, contract management or IP due diligence.

**2nd line:** Global controls by means of higher-level systems, such as our risk management, compliance management or controlling systems

**3rd line:** Independent audits by Internal Auditing

The various levels are supported, among other things, by Group-wide internal guidelines as well as centralized and standardized process definitions that enable variance analyses. The principle of separation of functions is also laid down in our guidelines, as is a system of information classification.

Comprehensive manual and automated controls have been established at the various levels and are subject to regular reviews by the Company. Identified control weaknesses are discussed and measures are initiated to eliminate them. In the past fiscal year, a control weakness was identified in the process controls at an IT service provider and mitigating measures were taken immediately.

Beyond this, the Executive and Supervisory Board had no information to indicate any significant weaknesses in the effectiveness or inappropriateness of the internal control system. In principle, however, it should be borne in mind that an internal control system, regardless of its design, does not provide absolute certainty that errors in our business processes will be detected.

<sup>1</sup> Not part of the audited Management Report



In the following, we deal with the internal control system for accounting in more detail.

### **The internal control and risk management system in relation to the accounting process (Section 315 (4) of the German Commercial Code (HGB))**

This is the responsibility of Global Finance and comprises structures and processes that enable proper and effective accounting and financial reporting. They include:

- Process-integrated controls, such as validation of reported data, separation of functions and the four-eyes principle, as well as regular analytical controls by Business Partner Finance and Controlling.
- Standardized financial accounting processes at the Global Transaction Center, in which almost all Group companies are integrated, and appropriate assurance that business transactions are included in accounting consistently, promptly and correctly and that all applicable statutory accounting regulations, standards and internal guidelines are implemented throughout the Group.
- Ensuring that the consolidated financial statements (including the Management Report) comply with the rules by means of Group-wide specifications relating to accounting guidelines, charts of accounts and uniform reporting processes.
- Central preparation of the consolidated financial statements using the uniform reporting process as well as system and manual controls with regard to accounting-specific interconnections.
- Notification of employees in the Global Transaction Center, Business Partner Finance and Controlling, as well as other relevant contact persons at subsidiaries, about changes in the financial statement preparation process on a quarterly basis.
- Protection of accounting-related IT systems against unapproved access by means of authorization and access regulations for the IT accounting systems.
- Ensuring the professional aptitude of employees involved in the accounting and financial reporting process by means of selection processes and training.

### **Description of the KWS Group's current risk situation**

Here we provide a summarized report on the medium or high individual risks that are known to us and involve net financial damage of at least €7.5 million and a horizon of up to ten years. We group the individual risks by their type and category. If the risk classes of the categories have changed compared to the previous year, we explain this in the respective sections. Our strategic risk categories are linked to long-term opportunities. We therefore explain the latter separately in the section "Opportunity Management."

There are currently no non-financial risks whose occurrence is very likely and entail serious impacts on aspects that require reporting in accordance with Section 289c of the German Commercial Code (HGB).

The changes in the risk situation as a whole are addressed in the overall statement on the risk situation by the Executive Board.

### **Operational risks**

#### **IT**

The KWS Group's business and production processes, as well as its internal and external communications, are run on globally networked IT systems. Attacks or outages can lead to a loss of confidentiality, availability, integrity and/or authenticity of data, information and systems. This harbors risks, such as loss of know-how, data manipulation, loss of personal data and loss of image, and may result in large financial losses. We reduce these risks by means of organizational and technical measures. IT service providers constantly examine our IT security so as to issue recommendations for optimization measures on the basis of their risk assessment. Uncontrolled and/or undetected loss and damage as a result of hacking and malware are still possible even if very good precautionary measures are in place.

### **Product quality**

We have established detailed checks and tests to determine the performance and quality of our seed. Quality controls, such as germination and sprouting strength tests, are conducted at all stages of production. These checks and tests are also intended to reduce risks such as claims for damages due to product liability, which may be significant, especially in Anglo-American jurisdictions. We also have product liability insurance to defend against unjustified claims and to settle justified claims. Very strict requirements must be met regarding management of genetically modified products, in particular, to prevent GMOs becoming mixed with conventional seed. KWS is a member of the “Excellence Through Stewardship” (ETS) initiative, an internationally standardized quality management program.

### **Production and business interruption**

KWS uses technically complex seed processing plants. Interruptions to business operations may have a negative impact on the volumes that are available for sale and represent significant risks, especially if they occur in our sales season. In order to reduce these risks, we conduct regular risk inspections, carry out preventive maintenance, and have property and business interruption insurance.

Seed propagation is dependent on the weather. We reduce the risk of crop failures by propagating seed – depending on the crop – in separate locations and regions in Europe, North and South America and Asia. We can carry out contra-seasonal propagation in the winter half-year in the southern hemisphere if there are bottlenecks in the volume of seed produced.

The category’s risk situation remains high, despite the fact that the risks related to the supply of gas fell in the year under review. There are still risks of potential restrictions or interruptions to business operations. We already countered this risk in

the previous year by expanding our emergency heating oil reserves at short notice. Moreover, we continue to work on switching in the medium to long term to a self-sufficient, low-emission energy supply based on renewable energies. The spread of hostilities in Ukraine may result in interruptions to business operations (corn seed production). Our seed production in Russia is subject to high political risks. There are currently efforts by the Russian Ministry of Agriculture to increase localization and control of the local seed market. We regularly monitor and evaluate the situation.

### **Projects, corporate organization and process management**

So that we can continue to grow profitably and sustainably with the support of an efficient organization and harmonized processes that also reflect the increasing complexity of the requirements demanded of our workforce, we regularly review their adequacy and realign them where necessary. Without appropriate realignment, there may be organizational risks, such as an excessive workload on individual departments. In turn, a realignment may entail integration risks (as part of M&As, for example), among other things, or temporarily result in process inefficiencies or unplanned costs. Our measures to counter these risks include the establishment of specialized functions (such as M&A experts), rollout of a new standard process model and automation, complemented by our globally applicable company standards.

### **Health, safety and environment**

Accidents, technical problems or misconduct in our business processes may result in injury to persons and environmental damage and are high risks. One measure we have taken to reduce these risks is to implement a global health, safety and environment standard, which the central HSE Manager function will keep on developing.

In Ukraine, we are continuing our crisis management activities, the prime goal of which is to protect all local employees and their families. Our business activities are not in close proximity to the fighting; however, we see a high risk to the health of our local colleagues due to the continuing air raids throughout the country and the ongoing war, factors that determine this category's current risk classification.

We still consider the risk of technical accidents at our seed production plants and the resulting danger to life and limb and the threat to the environment to be low – also pursuant to our annual internal audits at various business establishments.

#### Human Resources

Recruiting the right employees for KWS, offering them diverse development opportunities and striving for a long-term working relationship with them are factors that are crucial to our business success. In order to counter potential risks such as the loss of employees or lengthy vacancies, we regularly review our attractiveness and positioning as an employer. In this way, we prevent any future staffing risks through structured succession planning, continuously expand our employer brand on the external market, and strengthen our employees' loyalty through attractive development programs and compensation at a fair market level. In the year under review, there was largely no change in the situation in relation to the battle for talents and experts on the labor market and the associated rise in internal requirements as regards retaining employees.

#### Communication

In the course of our business activities, we are exposed to various reputational risks worldwide. These may result from inadequate or misleading communication regarding our business strategies, innovation processes or environmental and social

responsibility, and may be reflected in negative reporting about KWS, for example on our business strategy, innovation processes or environmental and social management. In the year under review, among other things, potential reputational risks increased due to our continued presence in the Russian seed market and because of our position on patents. To counteract these risks, we nurture continuous and open communication with various target groups. They include shareholders, customers, employees, NGOs and the general public.

### Finance and capital markets

#### Tax risks

KWS operates in about 70 countries and is therefore subject to an array of complex national tax requirements and laws. Changes that are not detected in time and/or incomplete implementation of tax law, court rulings and interpretations by the fiscal authorities may have an effect on tax assets and liabilities, as well as on deferred tax assets and deferred tax liabilities. This can result in significant risks, which we counter by continuously identifying and assessing the tax frameworks and by central coordination through our Finance department. If necessary, tax provisions are formed on the basis of estimates.

#### Currency risks

Currency risks arise, in particular, from receivables and liabilities denominated in foreign currency. Where it appears economically appropriate, we address currency risks through the usual hedging instruments and internal standards in order to reduce the influence on the KWS Group's earnings and assets situation. We also reduce our transaction risks by means of natural hedging, when expenses are incurred in the same currency in which we generate revenue. In fiscal 2022/2023, we hedged our intra-Group loans to a large part

by using standard currency derivatives in order to reduce currency risks. In the year under review, exchange rate risks increased, in particular due to high volatilities in Ukraine, Russia and Turkey.

#### Liquidity risks

The overriding goal of our liquidity management is to ensure we meet our payment obligations on time. External factors, such as global crises, may restrict the availability of credit lines and/or mean we can only obtain economically disadvantageous terms and conditions. Our central Treasury department determines what funding we require in its liquidity planning and covers those needs by providing cash, promised credit lines and other financial instruments. We have agreed customary financial covenants for part of these promised credit lines. If these covenants are breached, the lender has the right to terminate the agreement.

#### Receivable risks

We nurture extensive business relationships with various customer groups – from the sugar industry and agricultural wholesalers to individual farmers. If, in particular, large customers are not able to meet their contractual payment obligations to us, we could suffer losses. We reduce such credit risks through our receivables management and, where possible and expedient, by means of credit insurance. The risks of counterparty defaults in Ukraine and Russia are largely manageable due to the introduction of advance payments and again remained low.

#### Capital markets

In view of the diverse and increasing demands placed on business by the capital market, inadequate data and processes, especially non-financial ones, can lead in the medium term to poorer conditions on the capital market. In the year under review, we began converting our non-financial reporting to comply with the upcoming Corporate Sustainability Reporting

Directive (CSRD). In addition, the staff at the central Sustainability department was increased to speed up the establishment of new standards (the German Supply Chain Due Diligence Act), new data collection processes (Scope 3 emissions) and the provision of non-financial data.

#### Politics and the law

##### Compliance

We are exposed to potential compliance risks, for example under antitrust, competition, anti-corruption and money laundering law and data protection requirements. Violations of statutory requirements may have consequences under criminal and civil law, including fines and other financial disadvantages. Under our compliance policy, the Code of Business Ethics and our Group Standards, we obligate our managers and employees to undertake to act in accordance with laws, contracts, internal guidelines and our corporate values and raise their awareness in this regard. Regular communication, instruction and training are intended to ensure compliance. We rigorously investigate reports of compliance violations. As is expressly pointed out, sanctions are imposed if our compliance regulations are violated. The measures such as sanctions or comparable legal requirements adopted against or by Russia in the wake of the Ukraine crisis are analyzed, assessed and implemented by the relevant departments, also with the involvement of external experts. Nevertheless, unwitting violations, substantive inconsistencies, or legal unclarity may result in financial penalties or revocation of the business license.

##### Intellectual property (IP)

Protecting intellectual property is vital to companies that conduct research if they wish to preserve their freedom of action and keep on generating value. The seed-specific property rights under “variety protection” ensure they are compensated

for the years-long process of research, breeding and development of new varieties and that third parties cannot market the same variety at no costs to themselves. KWS uses patents to protect certain plant traits, in particular if they have been developed or produced by means of technical methods. In order to secure its freedom of action and avoid infringing third-party proprietary rights, KWS has implemented far-reaching due diligence processes throughout the company.

#### Regulatory risks

As part of modern agriculture and as an innovative plant breeding company, KWS also uses state-of-the-art breeding technologies to develop new, resource-conserving varieties. There is still a negative perception of new breeding technologies among the general public, despite the high standards in force and scientific facts to the contrary. New breeding technologies could speed up our variety development and improve its precision. The EU continues to impose tougher regulations on important research technologies and restrict the use of established operating resources, which caused an increase in this category's risks in the year under review. Some pesticides cannot be adequately replaced in our breeding processes at present, which may result in higher disease incidence, weed pressure, and rising seed production and breeding costs. We conduct an intensive dialogue with relevant stakeholders on this issue and are increasing the internationalization of our research – without reducing our commitment in the EU.

#### Political instability

KWS faces political risks in many countries in the strongly regulated international agricultural industry. In addition, the tense global geopolitical situation in recent years has led to further risks for our business activities and growth plans in the Middle East or Eastern Europe. In Eastern Europe, the continuation of the Ukraine war continues to

pose high risks to our business activities in Ukraine, Russia and Belarus. There are still health risks for our Ukrainian employees (see the section “Health, safety and environment”), but also a large number of business risks, such as a decline in cultivation area in Ukraine, an important future market for KWS, and export opportunities for farmers there remain restricted.

Our business activities in Russia continue to be subject to regulations, sanctions, a lack of available services and spare parts, and Russian localization efforts (domestic production) in the seed market, which could lead to restrictions or even complete cessation of business operations in Russia. This could have a large negative financial impact on KWS in the future. We mitigate potential negative effects on KWS through crisis teams that develop precautionary measures, implement them if necessary and report critical developments to the Executive Board and Supervisory Board as and when required.

#### General legal risks

KWS faces risks from official proceedings and legal disputes. Legal disputes with suppliers, licensors, customers, employees, lenders and investors are possible and may result in payments or other obligations. There were no legal proceedings involving significant amounts in fiscal 2022/2023.

#### Markets and competition

##### Market trends

This covers in particular local external risks that may impact our business success and over whose emergence we have no or currently only limited direct influence. They include changes in demand and the local conditions of the respective market. In China, complex business regulations, cultural differences, inefficient know-how protection and product piracy may impact the effectiveness of our business relationships and market leadership

strategies or exclude us from the market altogether. We reduce this risk by reviewing our cooperation with local partners, through new licenses or by developing proprietary variety traits.

#### Competition and business partners

Strong competitive pressure, such as that due to aggressive pricing strategies by other market players, may have a negative impact on our business success. In particular, good local variety performance is the most effective means of protecting against this. Acquisition or licensing of technologies – such as genetically modified traits – is customary in the industry and necessary in markets such as North or South America. We strive to reduce the related risks by developing our own innovations, which may also be attractive to competitors, and through long-term license agreements. In the year under review, the business performance of our joint venture AgReliant declined due to heavy competitive pressure, which led to an increase in the risk situation in this category. Together with our business partner, we address the risks there by means of a monitoring committee that is made up of representatives of both parties and makes joint decisions on key risk control measures.

#### Price developments and supply

We are exposed to potential price fluctuations, delays and reduced availability in our global purchasing activities. We counter these risks by pooling our purchasing power in a centralized Procurement Management unit and, in particular, we adopt a structured approach in relation to the organization, management and long-term development of supplier relationships. Hedging

instruments in the form of commodity derivatives are used to offset fluctuations in the prices of raw materials to a limited extent. We are currently revising and improving the management of potential supply chain risks and plan to complete the project by the end of the 2023 calendar year.

#### Climate change<sup>1</sup> and natural disasters

We are increasingly experiencing extreme weather events, such as heavy rain, flooding, storms or drought, which may impact key business processes. The individual risk relating to extreme weather events was accordingly upgraded significantly in the year under review, but this was not sufficient to warrant an upgrade for this category. We mainly develop new varieties and propagate our seed outdoors, meaning these activities are exposed to weather events. Moreover, weather risks can be insured against only at economically unfavorable terms and conditions, if at all. In addition to local protection measures such as irrigation, flood control or greenhouses, we can limit risks through regional diversification. Contra-seasonal production in the southern hemisphere enables two cultivation cycles a year. In addition to extreme weather events, climate change is also causing a gradual increase in average temperatures, changes in regional average rainfall, and changes in disease or pest pressure. We counter this by continuously developing our varieties as part of our global breeding programs. The breeding objectives as part of this include drought resistance, standing ability, better nutrient utilization or new resistances. Climate change thus also entails opportunities for KWS, which we explain in the section “Opportunity Management.”

<sup>1</sup> We have renamed the category. It was called “Weather events and natural disasters” last year.

### Strategic risk categories with an horizon up to ten years

Risk type	Risk category	Category classification	Previous year
Strategic	<ul style="list-style-type: none"> <li>■ Limited access to technology</li> </ul>	Noticeable	Noticeable
	<ul style="list-style-type: none"> <li>■ Structural change of demand</li> </ul>	Substantial	Substantial
	<ul style="list-style-type: none"> <li>■ Structural underperformance of products</li> </ul>	Substantial	Substantial

### Risk categories with a horizon of up to four years

Risk type	Risk category	Risk classification	Previous year	Tendency
Operational	<ul style="list-style-type: none"> <li>■ Human Resources</li> </ul>	Noticeable	Noticeable	→
	<ul style="list-style-type: none"> <li>■ Information technology</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ Product quality</li> </ul>	Noticeable	Noticeable	→
	<ul style="list-style-type: none"> <li>■ Production, interruptions to business operations</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ Projects, company organization, process management</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ Communication</li> </ul>	Medium	–	↗
	<ul style="list-style-type: none"> <li>■ Health, safety and environment</li> </ul>	Substantial	Substantial	→
Politics and the law	<ul style="list-style-type: none"> <li>■ Compliance risks</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ General legal risks</li> </ul>	Low	Low	→
	<ul style="list-style-type: none"> <li>■ Intellectual property (IP)</li> </ul>	Medium	Medium	→
	<ul style="list-style-type: none"> <li>■ Political instability</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ Regulatory risks</li> </ul>	Noticeable	Low	↗
Finance and capital markets	<ul style="list-style-type: none"> <li>■ Capital markets</li> </ul>	Medium	Medium	→
	<ul style="list-style-type: none"> <li>■ Currency risks</li> </ul>	Noticeable	Medium	↗
	<ul style="list-style-type: none"> <li>■ Liquidity risks</li> </ul>	Low	Low	→
	<ul style="list-style-type: none"> <li>■ Receivable risks</li> </ul>	Low	Low	→
	<ul style="list-style-type: none"> <li>■ Tax risks</li> </ul>	Medium	Medium	→
Markets and competition	<ul style="list-style-type: none"> <li>■ Competition and business partners</li> </ul>	Noticeable	Medium	↗
	<ul style="list-style-type: none"> <li>■ Market trends</li> </ul>	Medium	Medium	→
	<ul style="list-style-type: none"> <li>■ Price developments and supply</li> </ul>	Substantial	Substantial	→
	<ul style="list-style-type: none"> <li>■ Climate change and natural disasters</li> </ul>	Medium	Medium	→



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### Formulas for the aggregated view

#### Formulas

1: Net financial damage (in € million) × net likelihood = risk score for an individual risk

2:  $\Sigma$  of all reported risk scores within a category = risk score for a category

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### Risk classification for risk categories (aggregated view)

Risk classes	Risk score
Low	Less than 3
Medium	Between 3 and 8
Noticeable	Between 8 and 15
Substantial	Above 15

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The strategic risk categories are linked to significant strategic opportunities and are therefore explained in the Opportunity Report.

### Overall statement on the risk situation by the Executive Board

The KWS Group's net risk position at the end of the fiscal year remained largely unchanged compared with the previous year. In addition to lower risks relating to the supply of gas and a slowdown in inflation, we recorded particularly higher political risks as a result of Russia's localization efforts. This may have a negative impact on our local seed production and business development there. Teams

of experts analyze, assess and control risk-related developments on an ongoing basis and report to the Executive Board as and when required. In Ukraine, we are continuing to implement measures to protect employees and business processes, and our central crisis management team kept in constant contact with our Ukrainian colleagues.

Due to increased extreme weather events caused by climate change, we expect increasing operational risks for our seed production in the future, which we can counter by shifting production locally or to sites for contra-seasonal production. In addition, adapted varieties can also help mitigate the negative impact of climate change on agricultural production, which also harbors opportunities for us.

In view of the available assessments and countermeasures we have initiated, risks that jeopardize the company's existence are not discernible at present. Furthermore, based on the analysis of our risk-bearing capacity with our aggregated risk situation, we did not identify any potential threat to the company's existence. We feel sure that, thanks to our global footprint, innovative strength and the quality of our products, we can seize opportunities and successfully manage risks as they arise. However, we cannot rule out the possibility that other factors that are currently unknown or which are not assessed as significant may jeopardize the continued existence of the KWS Group in the future.

## 2.6 Forecast Report

The expectations of management outlined here are based on our corporate planning and the information it takes into account, including market expectations, strategic decisions, regulatory measures or exchange rate trends. They are subject to the same premises as the consolidated financial statements and forecast our business performance up to the end of fiscal 2023/2024 on June 30, 2024. In our forecast for the KWS Group's statement of comprehensive income, we deal with the KWS Group's anticipated net sales (on a comparable basis, excluding exchange rate and portfolio effects), anticipated EBIT margin and anticipated R&D intensity. In our forecast for the segments, we deal with the anticipated net sales (on a comparable basis, excluding exchange rate and portfolio effects) and the anticipated EBIT margin, including the contributions made by our equity-accounted companies, which are included proportionately in the segment reports in line with our internal corporate controlling structure.

### 2.6.1 Changes in the KWS Group's composition that are significant for the forecast

There have not been any changes in the KWS Group's composition that are of significance for the forecast for its business performance in fiscal 2023/2024.

### 2.6.2 Forecast for the KWS Group's Statement of Comprehensive Income

The KWS Group's economic performance in fiscal 2023/2024 will continue to be impacted by the challenging changes on global agricultural markets. In particular, the impacts of the Ukraine war and the increased occurrence of weather extremes as a result of climate change are making

the general conditions in agriculture more volatile. The associated fluctuations in supply and demand impair planning security for farmers and thus also for us as a seed vendor. However, our broad product portfolio enables us to counter these fluctuations. In addition, the fact that purchase prices for agricultural raw materials have been above average for many years also suggests that it is likely that global demand for seed will continue to be bolstered.

At the same time, higher prices for agricultural raw materials will drive up the costs for seed propagation. Given the continuing inflationary trends, we also expect further price increases in some procurement categories and higher personnel costs. There are still significant currency risks in important markets, in particular in South America, Turkey and Eastern Europe.

We expect the KWS Group to grow its net sales (on a comparable basis, excluding exchange rate and portfolio effects) by 3% to 5% in fiscal 2023/2024 compared with the previous year (€1,820 million).

We expect the EBIT margin to be between 11% and 13%, and the R&D ratio to be in the range of 18% to 19%. Due to the strongly seasonal nature of our business as a result of the great importance of the spring sowing season and external factors that are difficult to anticipate, such as the weather and fluctuations in cultivation area, we are providing ranges in our forecasts here, since more detailed statements on our net sales and earnings performance cannot yet be made with sufficient reliability.

### 2.6.3 Forecast for the Segments

In fiscal 2023/2024, we anticipate that the **Corn Segment** (on a comparable basis, excluding exchange rate and portfolio effects) will grow its net sales slightly compared with the previous year (€1,046.8 million), in particular on the back of growth in South America and Europe. We assume that competition will remain intense in North America. As far as can be seen at present, the EBIT margin is expected to be slightly above the level of the previous year (4.4%).

In the **Sugarbeet Segment**, our high-yielding portfolio of varieties will likely mean another successful fiscal year for us. We assume that sugarbeet cultivation area will remain stable all in all. The segment's business performance should benefit from further growth due to CONVISO® SMART seed and demand for Cercospora-tolerant (CR+) varieties. We expect that the segment's net sales (on a comparable basis, excluding exchange rate and portfolio effects) will increase slightly compared with the previous year (€716.3 million) and that the EBIT margin will be at the level of the previous year (35.4%).

We assume that net sales in the **Cereals Segment** (on a comparable basis, excluding exchange rate and portfolio effects) will rise slightly compared to the previous year (€257.8 million). In particular, we

expect oilseed rape and hybrid rye seed business to boost growth here. Overall, we expect an EBIT margin at the level of the previous year (15.6%).

The **Vegetables Segment** essentially comprises the net sales and earnings contributed by acquired vegetable seed businesses. Assuming a stable market environment, in particular for spinach seed, we expect the segment's net sales (on a comparable basis, excluding exchange rate and portfolio effects) to be at the level of the previous year (€66.0 million). There are also costs for establishing an international breeding program and the Business Unit in the segment. Consequently, the number of employees will probably increase further. The segment's income also includes noncash effects from the purchase price allocation as part of company acquisitions. Due to the above-mentioned effects, we expect the EBIT margin to be negative.

Revenue (albeit slight) from our farms in Germany, France and Poland is grouped in the **Corporate Segment**. Since all cross-segment costs for the KWS Group's central functions and research expenditure are still charged to the Corporate Segment, its income is usually negative. In view of the planned cost developments, we expect the segment's EBIT to be around €-125.0 (-115.3) million.

#### Forecast for the 2023/2024 fiscal

	Net sales growth <sup>1</sup>	EBIT margin	R&D intensity
Statement of comprehensive income of the KWS Group	3–5%	11–13%	18–19%

<sup>1</sup> On a comparable basis, excl. currency and portfolio effects

## 2.7 Further Information

### 2.7.1 Corporate Governance and Declaration on Corporate Governance<sup>1</sup>

Responsible corporate governance has always been of great importance at KWS SAAT SE & Co. KGaA. Since it was founded 165 years ago, our company's successful development has been based on thinking long term and acting in terms of sustainability. The Executive Board (the personally liable partner KWS SE, whose Executive Board is responsible for management of the company's business) and the Supervisory Board run and accompany KWS with the goal of ensuring it creates sustainable value added. They once again examined in the year under review whether the company complies with the stipulations of the German Corporate Governance Code and issued the Declaration of Compliance in Accordance with Section 161 AktG (German Stock Corporation Act) to the effect that the company complies almost fully with the code's recommendations.

You can find detailed information on corporate governance in our declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB), which is available in full on our website at [www.kws.com/corp/en/company/investor-relations/corporate-governance](https://www.kws.com/corp/en/company/investor-relations/corporate-governance). The Compensation Report for fiscal 2022/2023 is also available there.

### 2.7.2 Compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act)<sup>1</sup>

The final version of the Declaration of Compliance in accordance with Section 161 AktG (German Stock Corporation Act) is available to shareholders on the website <https://www.kws.com/corp/en/company/investor-relations/declaration-of-corporate-governance.html>.

### 2.7.3 Remuneration Report

The Remuneration Report outlines the principles and salient features of the compensation systems for the Executive Board of KWS SE, the managing partner of KWS SAAT SE & Co. KGaA, and its Supervisory Board. It is no longer part of the Group Management Report. The Remuneration Report pursuant to Section 162 of the German Stock Corporation Act (AktG) for the fiscal 2022/2023, together with the report on the substantive and formal audit by the independent auditor, can be found on our website at [www.kws.com/corp/en/company/investor-relations](https://www.kws.com/corp/en/company/investor-relations).

<sup>1</sup> Not an audited part of the Combined Management Report

#### 2.7.4 Explanatory Report of the Personally Liable Partner (KWS SE) of KWS SAAT SE & Co. KGaA in Accordance with Section 176 (1) Sentence 1 AktG (German Stock Corporation Act) on the Disclosures in Accordance with Section 289a (1) and Section 315a (1) HGB (German Commercial Code)

The personally liable partner of KWS SAAT SE & Co. KGaA provides the following explanation on the following disclosures in accordance with Section 289a and Section 315a HGB (German Commercial Code):

##### **Composition of the subscribed capital**

The subscribed capital of KWS SAAT SE & Co. KGaA is €99,000,000.00 and is divided into 33,000,000 bearer shares. The pro-rata share of each share in the capital stock is €3.00. Each share grants the holder the right to cast one vote at the Annual Shareholders' Meeting. The rights of shareholders are governed by the German Stock Corporation Act (AktG) and the Articles of Association.

##### **Restrictions relating to voting rights or the transfer of shares**

There may be restrictions relating to voting rights or the transfer of shares as a result of statutory or contractual provisions. For example, shareholders are barred from voting under certain conditions pursuant to Section 136 of the German Stock Corporation Act (AktG) in conjunction with Section 278 (3) of the German Stock Corporation Act (AktG) or Section 44 of the German Securities Trading Act (WpHG); the bars on voting pursuant to Section 285 of the German Stock Corporation Act (AktG) must also be observed for personally liable partners at a partnership limited by shares (KGaA). In addition, no voting rights accrue to the company on the basis of the shares it holds (Section 71b AktG).

The personally liable partner is not aware of any contractual restrictions relating to voting rights or transfer of shares. If there are no restrictions on voting rights, all shareholders who register for the Annual Shareholders' Meeting in time and have submitted proof of their authorization to participate in the Annual Shareholders' Meeting and exercise their voting rights are authorized to exercise the voting rights conferred by all the shares they hold and have registered. If members of the Executive Board of the personally liable partner or executive employees of the company have acquired shares as part of the long-term incentive programs, these shares are subject to a lock-up period until the end of the fifth year after the end of the quarter in which they were acquired. The lock-up period for shares that employees have acquired as part of the Employee Stock Purchase Plans runs until the end of the fourth year as of when they are posted to the employee's securities account.

##### **Direct and indirect participating interests in excess of 10% of the voting rights**

The company has been informed by shareholders of the following direct or indirect participating interests in the capital of KWS SAAT SE & Co. KGaA in excess of 10% of the voting rights in accordance with Section 33 and Section 34 of the German Securities Trading Act (WpHG) or elsewhere.

1. The voting shares, including mutual allocations, of the persons, companies and foundations stated below each exceed 10% and total 69.1%:

- AKB Stiftung, Hanover
- Büchting Beteiligungsgesellschaft mbH, Hanover
- Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck
- Dr. Drs. h.c. Andreas J. Büchting, Germany
- RETOKE Holding Vermögensverwaltungsgesellschaft mbH & Co. KG, Bad Schwartau
- Tessner Beteiligungs GmbH, Goslar
- Tessner Holding KG, Goslar

2. The voting shares of the persons stated below, including mutual allocations and allocations of voting shares of Dr. Drs. h.c. Andreas J. Büchting, Germany, AKB Stiftung, Hanover, Büchting Beteiligungsgesellschaft mbH, Hanover, Zukunftsstiftung Jugend, Umwelt und Kultur, Einbeck, and RETOKE Holding Vermögensverwaltungsgesellschaft mbH & Co. KG, Bad Schwartau, each exceed 10% and total 54.7%:

- Christiane Stratmann, Germany
- Dorothea Schuppert, Germany
- Michael C.-E. Büchting, Germany
- Annette Büchting, Germany
- Stephan O. Büchting, Germany
- Christa Nagel, Germany
- Matthias Sohnemann, Germany
- Malte Sohnemann, Germany
- Arne Sohnemann, Germany

3. The voting shares of the shareholder named below, including allocations of the persons, companies and foundations named in 1. above, exceed 10% and total 69.2%:

- Hans-Joachim Tessner, Germany

4. The voting shares of the shareholder named below, including allocations of all the persons, companies and foundations named in 2. above, exceed 10% and total 55.9%:

- Dr. Arend Oetker, Germany

5. The voting shares of the shareholders named below, including allocations of all the persons, companies and foundations named in 2. above, exceed 10% and total 54.8%:

- Dr. Marie Th. Schnell, Germany
- Johanna Sophie Oetker, Germany
- Leopold Heinrich Oetker, Germany
- Clara Christina Oetker, Germany
- Ludwig August Oetker, Germany

#### **Shares with special rights and voting control**

Shares with special rights that grant powers of control have not been issued by the company. There is no special type of voting control for the participating interests of employees. Employees who have an interest in the company's capital exercise their control rights in the same way as other shareholders.

#### **Appointment and removal of management**

The personally liable partner, KWS SE, is responsible for managing the business of KWS SAAT SE & Co. KGaA under Section 7.2 of the Articles of Association of KWS SAAT SE & Co. KGaA.

In accordance with Section 6 (3) of the Articles of Association of KWS SAAT SE & Co. KGaA, the personally liable partner shall leave the Company if the majority of shares in the personally liable partner can no longer be held directly and/or indirectly for a time longer than 30 calendar days by persons who hold a combined total of more than 15% of the Company's capital stock directly and/or indirectly through a company that is dependent in accordance with Section 17 (1) of the German Stock Corporation Act (AktG) or is controlled in accordance with Section 290 (2) of the German Commercial Code (HGB). This shall not apply if all shares in the personally liable partner are held by the Company.

Furthermore, Section 6 (4) of the Articles of Association of KWS SAAT SE & Co. KGaA stipulates that the personally liable partner shall leave the Company if a person who is not a family shareholder (acquiring party) obtains control over the personally liable partner directly or indirectly (acquisition of control) and does not submit to the Company's limited partners a takeover or mandatory offer in accordance with this provision and otherwise in accordance with the provisions in the German Securities Acquisition and Takeover Act (WpÜG) within three months of acquisition of control.

Under Section 6.5 of the Articles of Association of KWS SAAT SE & Co. KGaA, the personally liable partner shall also leave the Company by means of termination. Notice of termination shall be given to all the limited partners at the Annual Shareholders' Meeting. Outside of the Annual Shareholders' Meeting, notice of termination shall be given to the Chairperson of the Supervisory Board or his or her deputy. The notice of termination shall be at least six months before the end of and effective the end of a fiscal year.

The other statutory grounds for the personally liable partner leaving the Company shall remain unaffected.

The members of the Executive Board of the personally liable partner, which is responsible for managing the company's business, are appointed and removed by the Supervisory Board of the personally liable partner, KWS SE. Pursuant to Article 46 (1) of Council Regulation (EC) 2157/2001 in conjunction with Section 6 of the Articles of Association of KWS SE, members of the Executive Board are appointed for a maximum period of six years. Members may be reappointed.

#### **Amendments to the Articles of Association**

Amendments to the company's Articles of Association are made pursuant to a resolution adopted by the Annual Shareholders' Meeting in accordance with Section 278 (3) in conjunction with Section 179 of the German Stock Corporation Act (AktG). Section 285 (2) Sentence 1 of the German Stock Corporation Act (AktG) stipulates that amendments to the Articles of Association require the approval of the personally liable partner.

In accordance with Section 133, Section 179 (2) of the German Stock Corporation Act (AktG) and Section 18 (1) of the Articles of Association of KWS SAAT SE & Co. KGaA, a resolution by the Annual Shareholders' Meeting to amend the Articles of Association must be adopted by a simple majority of the votes cast and a simple majority of the capital stock represented in adoption of the resolution, unless obligatory statutory regulations or the Articles of Association otherwise compel.

The power to make amendments to the Articles of Association that only affect the wording (Section 179 (1) Sentence 2 AktG) has been conferred on the Supervisory Board in accordance with Section 22 of the Articles of Association of KWS SAAT SE & Co. KGaA.



**Powers of the personally liable partner, in particular in relation to issuing or buying back shares**

The personally liable partner is authorized, with the consent of the Supervisory Board, to increase the capital stock of the Company in the period up to midnight on December 15, 2025, once or in installments by a total of up to €9,900,000.00 by issuing new shares in exchange for cash contributions and/or contributions in kind (Authorized Capital 2020). As a matter of principle, shareholders have a subscription right to the shares. The shares can also be assumed by one or more credit institutions or enterprises within the meaning of Section 186 (5) Sentence 1 of the German Stock Corporation Act (AktG) appointed by the personally liable partner, with the obligation to offer them for subscription solely to the shareholders' (indirect subscription right). However, the shareholders' subscription right can be excluded with the consent of the Supervisory Board, subject to certain conditions defined in the authorization.

**Significant agreements in the event of a change of control, compensation agreements**

Significant agreements subject to the condition of a change in control pursuant to a takeover bid have not been concluded. The agreements with members of the Executive Board of the personally liable partner stipulate that any commitments in the case of a change in control are limited to the maximum amounts specified by the German Corporate Governance Code.

## 2.8 Report on KWS SAAT SE & Co. KGaA (Declaration based on the German Commercial Code (HGB))

### References to KWS SAAT SE & Co. KGaA in the KWS Group's Annual Report

The Management Reports of KWS SAAT SE & Co. KGaA and the KWS Group are combined. The declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB), which also contains the compliance declaration in accordance with Section 161 AktG (German Stock Corporation Act), has been published in the Internet at [www.kws.de/ir](http://www.kws.de/ir). The following disclosures are identical to those of the KWS Group and are printed in this Annual Report:

### References to KWS SAAT SE & Co. KGaA in the KWS Group's Annual Report

Disclosures	Page(s)
Report in accordance with Section 289 (4) of the German Commercial Code (HGB) and explanatory report of the Executive Board	92 to 95
On business activity, corporate strategy, corporate controlling and management, as well as explanations on business performance	18 to 47
On the dividend	157 (Notes)
On research and development	26 to 29
On the report on events after the balance sheet date	158 (Notes)

KWS SAAT SE & Co. KGaA is the parent company of the KWS Group. It is responsible for strategic management and, among other things, propagates and distributes sugarbeet and corn seed. It finances basic research and breeding of the main range of varieties at the KWS Group and provides its subsidiaries with new varieties every year for the purpose of propagation and distribution.

#### Earnings

Net sales at KWS SAAT SE & Co. KGaA in the year under review increased sharply to €825.4 (691.1) million (guidance: slight increase in net sales). The increase resulted, in particular, from growing cereals and sugarbeet business. Gross profit likewise rose sharply to €475.8 (390.5) million due to the expansion in business. Research

and development expenditure, which is pooled at KWS SAAT SE & Co. KGaA, was increased as planned to €251.6 (226.2) million. Selling expenses rose to €98.4 (82.9) million. Most of the administrative expenses at the KWS Group are incurred at KWS SAAT SE & Co. KGaA. General and administrative expenses in the year under review totaled €136.4 (120.5) million. The balance of other operating income and other operating expenses was €9.3 (1.7) million. KWS SAAT SE & Co. KGaA's operating income improved sharply to €-19.9 million following €-40.8 million in the previous year (guidance: lower year on year), in particular thanks to the increase in our high-margin sugarbeet business. Net financial income/expenses is made up of the net income from equity investments and the interest result. Net income from equity

investments was €26.2 million, slightly below the figure for the previous year (28.6 million). The interest result fell year on year to €-6.1 (-2.3) million, in particular as a result of higher interest expenses. Taking into account taxes totaling €4.2 (-1.5) million, the net loss for the year was €-4.1 (-13.0) million.

### Financial position and assets

KWS SAAT SE & Co. KGaA's total assets in fiscal 2022/2023 increased to €1,720.5 (1,687.5) million. Fixed assets at the balance sheet date were €1,038.1 (1,031.5) million. Property, plant and equipment rose slightly, while financial assets and intangible assets were slightly below the level of the previous year. Inventories, in particular of raw materials and consumables, rose to €119.6 (104.4) million due to the planned increase in production quantities. Receivables and other assets increased to €523.3 (479.9) million, in particular as a result of the rise in receivables from affiliated companies. Liabilities at the balance sheet date rose to €1,078.3 (1,012.7) million, mainly due to an increase in liabilities to affiliated companies. KWS SAAT SE & Co. KGaA's equity fell to €461.5 (492.1) million due to the lower net retained income, giving an equity ratio of 26.5% (28.9)%.

### Employees

An average of 1,737 (1,681) people were employed at KWS SAAT SE & Co. KGaA in the year under review.

### Risks and opportunities

The opportunities and risks at KWS SAAT SE & Co. KGaA are essentially the same as at the KWS Group. It shares the risks of its subsidiaries and associated companies in accordance with its respective stake in them. You can find a detailed description of the opportunities and risks and an explanation of the internal control and risk management system (Section 289 (4) of the German Commercial Code (HGB)) on [pages 76 to 88](#).

### Forecast Report

KWS SAAT SE & Co. KGaA generates the main part of its net sales from sugarbeet, cereals and corn seed business and royalties from basic seed. Its further development depends, among other things, on the performance of our varieties, cultivation area in our key markets and developments in our growth markets. On the basis of our planning, we anticipate a slight increase in net sales, in particular due to growing cereals and sugarbeet business. KWS SAAT SE & Co. KGaA's operating income is mainly impacted by the costs of central functions of the KWS Group and cross-segment research and development activities. Given that spending on research and development and central functions is expected to rise, we anticipate a decline in KWS SAAT SE & Co. KGaA's operating income.

Einbeck, September 7, 2023

KWS SE

Dr. Felix Büchting | Dr. Peter Hofmann | Eva Kienle | Nicolás Wielandt