



SMART SOLUTIONS FOR POWER AND MOBILITY

SCHALTBAU HOLDING AG

CSR REPORT 2018 IN ACCORDANCE
WITH THE GERMAN SUSTAINABILITY CODE

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FOREWORD BY THE EXECUTIVE BOARD

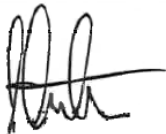
Dear Readers

With its broad range of products and services, the Schaltbau Group makes an important contribution to providing safe, comfortable, sustainable mobility. Rail transport – whether long- or short-distance, for passengers or freight – contributes significantly to reducing greenhouse gas emissions and is the more eco-friendly alternative to air and road transport. It is therefore all the more important to make this form of mass mobility sustainable and assured of a good future. Schaltbau Group companies work continually to achieve this objective, for example, with the digitalisation and automation of rolling stock, by reducing weight through the lightweight manufacturing of train doors, by producing components for storing green energy, or by conserving resources through the refurbishment of used trains.

Due to the high relevance of Schaltbau in terms of environmentally friendly mobility, for quite some time now we have made a point of aligning our value chains to ensure a sustainable future. This includes, for example, minimising emissions and saving energy as well as showing commitment to the Schaltbau Group's employees and respect for human rights by avoiding conflict materials. We see investment in sustainability as an investment in the future and the long-term competitiveness of the Schaltbau Group.

In addition to complying with legal stipulations and recognised compliance and corporate governance standards, we have set ourselves the goal of acting in accordance with recognised CSR standards. This CSR report documents the progress Schaltbau has made over the past year in terms of sustainable development. It also describes the measures Schaltbau has already initiated to ensure these standards over the coming months and years. Following Schaltbau's first sustainability report in 2017, we defined and documented further sustainability targets in 2018 that are important for our stakeholders. In the current year and beyond, we will continue to adapt our reporting to suit your information needs.

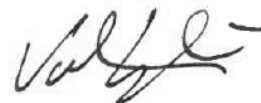
2 April 2019



Dr Albrecht Köhler
Spokesman of the
Board



Thomas Dippold
Chief Financial Officer



Volker Kregelin
Member of the Executive Executive
Board responsible for
Mobile and Stationary
Transportation Technology

ABOUT THIS REPORT

In accordance with the requirements of the Corporate Social Responsibility Directive Implementation Act (CSR-RUG), which came into force in 2017, the Schaltbau Group is required to publish non-financial information on environmental, social and employee issues, the fight against corruption and bribery, and respect for human rights. The non-financial Group report is part of this CSR Report for 2018, which the Schaltbau Group again based on the guidelines of the German Sustainability Code (GSC) in 2019. The report is available on the Schaltbau website at: www.schaltbaugroup.de. Moreover, the report is based on the requirements of the Global Reporting Initiative (GRI Standards). The report covers the period from 1 January 2018 to 31 December 2018.

With this CSR Report, the Schaltbau Group addresses its stakeholders, primarily customers, CSR-oriented rating agencies, analysts, investors, employees and representatives from the worlds of science, research, education and politics.

For the first time, the information in this report relates to the activities of the fully consolidated companies of the Schaltbau Group with the exception of Albatros S.L.U. in Spain and its fully consolidated subsidiary Albatros North America Inc. in the USA. In November 2017, the Executive Board decided to sell Albatros S.L.U. and its subsidiaries, which is why no data was collected from these companies. Neither does the report include data on Pintsch Bubenzer GmbH and its subsidiaries, which were sold on 1 March 2018, and Pintsch Bamag Brasil Tecnologia Ferroviaria Ltda. in Brazil, which ceased operations at the end of 2018. Any deviations from the above-mentioned companies included in the report are marked accordingly.

1. COMPANY PROFILE

1.1. Business model, range of products and services

The Schaltbau Group's business model embraces the entire value chain – from research and development to the manufacturing, sale and distribution of its products and services. It is supplemented by product maintenance and a range of aftersales services. The Schaltbau Group is a leading supplier of components and systems for rail, automotive and industrial goods industry and sees itself as a partner to its well-known customers in various markets.

The Schaltbau Group's range of products and services includes:

- Door and boarding systems for trains, buses and other commercial vehicles
- Interior fittings, master controllers, driver's desk equipment and sanitary systems for rolling stock
- High- and low-voltage electrical components for rolling stock and other applications
- Complete level crossing systems, shunting and signal technology

The Schaltbau Group is one of the world's leading suppliers of smart boarding systems, driver's desk and passenger equipment, and electromechanical components to rolling stock systems manufacturers. Furthermore, the Group's safety-related products are used in a range of technical applications such as buses and electric vehicles. Schaltbau's range of products is systematically supplemented by an array of services that cover the entire life cycle of rolling stock, buses and other commercial vehicles.

The various companies in the Schaltbau Group operate more than 30 sales and manufacturing sites worldwide. The companies each have their own sales offices in strategically important regions and further areas are covered by external sales partners.

The Schaltbau Group's business model is primarily based on long-term customer contracts. It is closely linked to the rail sector, the most important market for the Schaltbau Group, and the receipt of orders from railway companies and train manufacturers. Moreover, bus manufacturers are among the Schaltbau Group's largest customers in the field of door systems for buses. For more information, please see the section "Schaltbau Group profile" in the Management Report of the current Annual Report.

1.2. Organisational structure

The Schaltbau Group's operations are divided into three segments:

- The **Mobile Transportation Technology segment** with the main brand "Bode" primarily comprises the Bode Group (Gebr. Bode GmbH & Co. KG and its subsidiaries) and Schaltbau Refurbishment GmbH. Further, in this segment the entities Alte Technologies S.L.U. ("Alte") and Sepsa-Group (Albatros S.L.U. and affiliates) are included, from which the latter one has been put up for sale in November 2017. ¹
- The **Stationary Transportation Technology segment** with the "Pintsch" brand comprises the activities of the Pintsch Group (including Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Pintsch Tiefenbach GmbH, Pintsch Aben B.V. and their respective subsidiaries) in the field of rail infrastructure.² The industrial brakes business (Pintsch Bubbenzer GmbH) was sold with effect from 1 March 2018.
- The **Components segment** with the main brand "Schaltbau" comprises the Schaltbau GmbH Group (i.e. Schaltbau GmbH and its subsidiaries).

¹ Alte has been put up for sale in February 2018.

² An agreement was signed on merging Pintsch Tiefenbach GmbH and the German branch of Netherlands-based Pintsch Aben B.V. into Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. The latter was renamed Pintsch GmbH on 19 January 2019.

Schaltbau Holding AG is based in Munich and, as parent company of the Schaltbau Group, is responsible for strategy and the higher-level management of the Schaltbau Group. It is also responsible for appointing staff to management positions in the Group's subsidiaries, functions that concern the entire Group such as the provision of IT systems, investor relations and corporate communications. Schaltbau Holding AG is also responsible for Group compliance as well as internal auditing, risk management, financial accounting, Group controlling, CSR reporting and cash management. Schaltbau Holding AG is listed in the Prime Standard segment of the Frankfurt Stock Exchange and admitted to the regulated market of the Munich Stock Exchange.

1.3. Depth of the value chain

The Schaltbau Group covers the entire value chain, including research and development, manufacturing, sales and product maintenance. The Group's high-quality, long-lasting products need to meet stringent standards and for that reason Schaltbau invests intensively in research and development. The Group's systems and components are largely developed and manufactured at its own sites within Germany. The international presence of the Schaltbau Group also enables us to meet the growing regulatory requirement for local content and thus secure direct market access. Its production and business processes are all designed to consume a minimum of resources. The durability of the Schaltbau Group's railway industry products contributes towards the responsible use of resources for its customers.

The Schaltbau Group always endeavours to manufacture its products with the least possible environmental impact on water, air and soil. When selecting materials, Schaltbau essentially opts for substances that are RoHS- and REACH-compliant and do not contain any critical conflict materials. Fire protection requirements are also taken into account. In addition to rolled steel, stainless steel and cast iron, Schaltbau also uses the raw materials aluminium, nickel and silver in its production processes. Schaltbau GmbH purchases electronic components in which gold is used as an intermediate product. Gold in particular is exposed to risks with regard to its origin and is therefore required to undergo a series of internal control mechanisms to ensure that no conflict minerals are used to manufacture Schaltbau products.

The Schaltbau Group largely refrains from using hazardous substances and produces packaging from recycled materials at many of its locations. It also ensures the use of environmentally friendly technologies in its manufacturing processes.

The principles set out in the Group's Code of Conduct apply throughout the entire organisation, both in Germany and abroad, and for all companies in which the Schaltbau Group holds a majority stake, either directly or indirectly. The Code also applies to the Schaltbau Group's dealings with external business partners, suppliers and third parties. The Group expects its business partners and suppliers to adopt similar principles and to ensure that their activities always comply with legal requirements. The Code of Conduct can be viewed on the Schaltbau Group's website at www.schaltbaugroup.com/about-schaltbau/corporate-profile/code-of-conduct/.

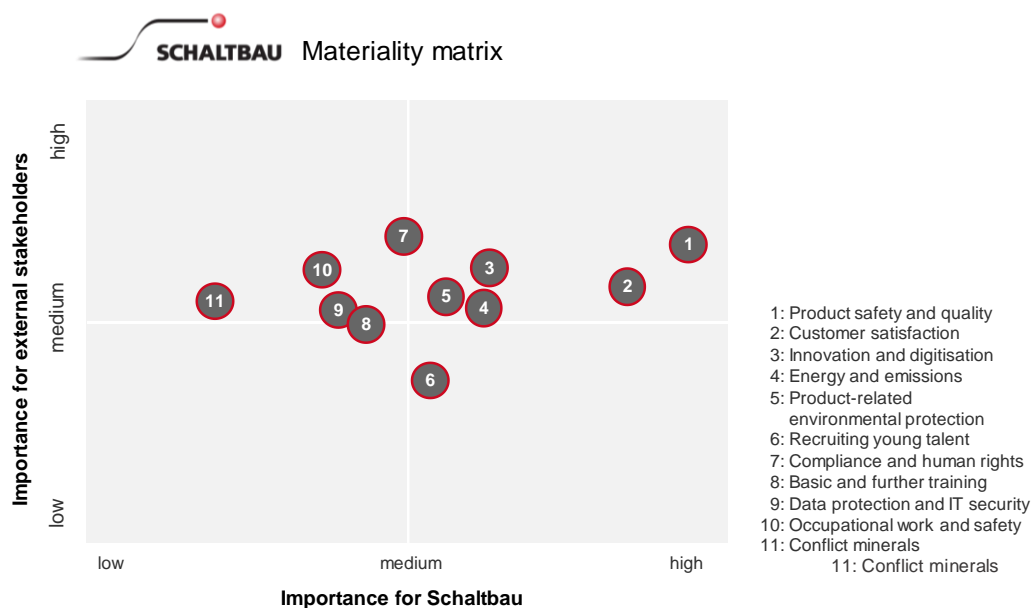
The Schaltbau Group provides its business partners with company-specific information that includes certificates regarding the non-use of conflict minerals, the origins of raw materials and compliance with REACH regulations. The Group also offers its business partners assistance in improving their corporate principles.

Customer audits are regularly performed throughout the Schaltbau Group, for example by DB Netz AG. Furthermore, supplier assessments contribute towards improving the value chain.

2. CSR STRATEGY AND MANAGEMENT

2.1. Results of the materiality analysis

In the fiscal year 2017, the major issues in the field of CSR were defined in the course of a materiality analysis and are still considered to be correct. The starting point for analysing these topics was a competition and trend analysis involving the Executive Board and the management teams of the Schaltbau Group's various companies. The requirements of CSR ratings and reporting frameworks as well as sector-specific CSR challenges were also taken into account. In accordance with the materiality approach pursuant to section 289c (3) of the German Commercial Code (HGB), the CSR topics identified are relevant for understanding the Group's financial performance, business performance and situation. They also have a significant impact on the non-financial aspects of the Schaltbau Group's operations. The topics identified cover all required aspects of CSR-RUG and are illustrated in the following diagram.

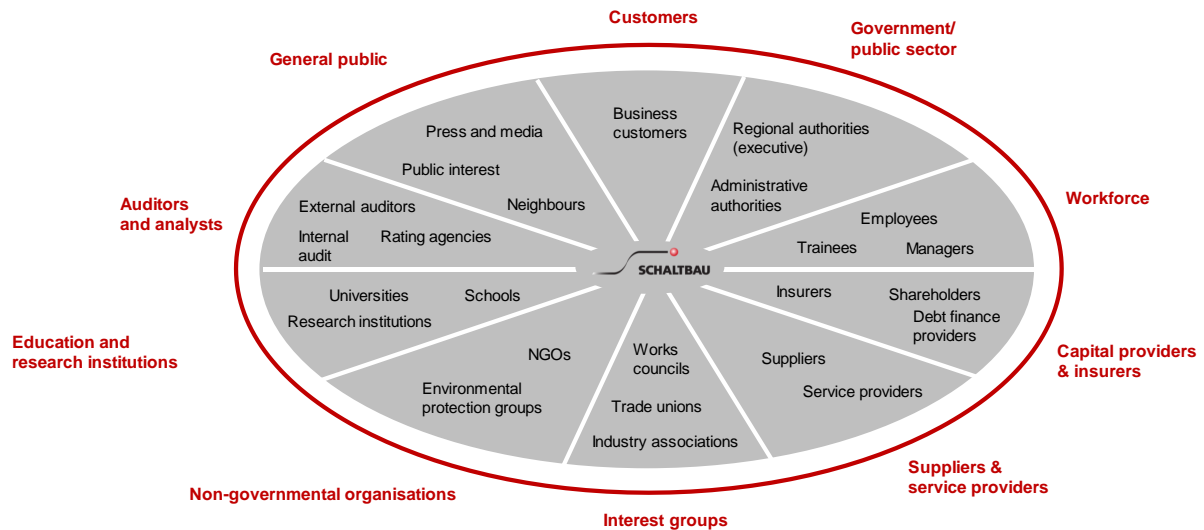


In the view of stakeholders, product safety, quality, and customer satisfaction are of particular importance due to the growing need for both safety and convenience. Innovation and digitalisation are also playing an increasingly key role in this age of advancing connectivity of both rail infrastructure and passenger information systems.

The CSR issues identified in the materiality analysis are dealt with in chapters 3 to 6 of this report, which also deal with the respective goals, concepts, results and notifiable risks. The CSR-relevant risks discussed in the Management Report 2018, which were classified as material in terms of probability of occurrence and consequences, must be reported. Risk reporting in the Management Report is based on the quarterly risk inventory at the level of Schaltbau Group subsidiaries.

2.2. Stakeholder dialogue

In addition to the materiality analysis, it is also important for the Schaltbau Group to maintain an ongoing dialogue with its stakeholder groups. These include customers, CSR-oriented rating agencies, analysts and investors, employees and representatives from the worlds of science, research, education and politics:



The Schaltbau Group is in regular contact with its stakeholders. Examples of communication channels through which this contact takes place are:

- The corporate website, including a dedicated investor relations section
- The EcoVadis CSR rating
- The CSR report
- Employee surveys and employee information events
- Various committee and association meetings
- Research cooperations with universities

Schaltbau Group companies are included in the EcoVadis assessment and provide their business partners with detailed information on the EcoVadis rating upon request.

The insights gained from interactions with stakeholders are incorporated in the ongoing CSR management in addition to the materiality analysis. In most cases, the issues arising in dialogue with stakeholders are partial aspects of the focal points already identified in this analysis. These dialogues therefore contribute to a continual updating of the understanding of significant stakeholder expectations. They enable specific risks and opportunities to be identified in good time and business activity adjusted accordingly.

2.3. CSR strategy and objectives

As an active, responsible corporate citizen, the Schaltbau Group works continuously to make its business activities and products sustainable, to use resources even more efficiently, and to present itself on the market as an attractive employer. The Group's operations are based on responsibility, trust, reliability and innovation.

In the previous year, the Schaltbau Group adopted its CSR strategy and already initiated key processes for its implementation. Based on the results of the materiality analysis and the legal requirements of the CSR-RUG, a detailed raft of measures was developed. They include targets, measures, KPIs and responsibilities and will form the basis for CSR activities in the years to come. Key reporting processes have already been implemented and responsibilities defined.

The CSR strategy pursues the aim of continuously improving the competitiveness of the Schaltbau Group in strict compliance with internationally recognised ethical and legal principles, taking market requirements into account.

The main focal points of the CSR strategy:

- **Legal compliance:** The Schaltbau Group acts strictly in accordance with legal requirements and rigorously pursues compliance management.
- **EcoVadis CSR rating:** The Schaltbau Group aspires to maintain the bronze status achieved in the first group-wide EcoVadis CSR rating and further improve its performance. The rating certifies that the Group's business activities comply with internationally acknowledged CSR standards.
- **Transparency:** The Schaltbau Group maintains an open dialogue with its stakeholders and regularly reports on CSR activities.
- **Measurability:** The Schaltbau Group works constantly to improve, regulate and measure the sustainability of its actions. The management systems, some of which have already been implemented, provide the Group with information and data that enable it to specifically optimise its behaviour. This year, the number of and the coverage of quantitative indicators was further increased.

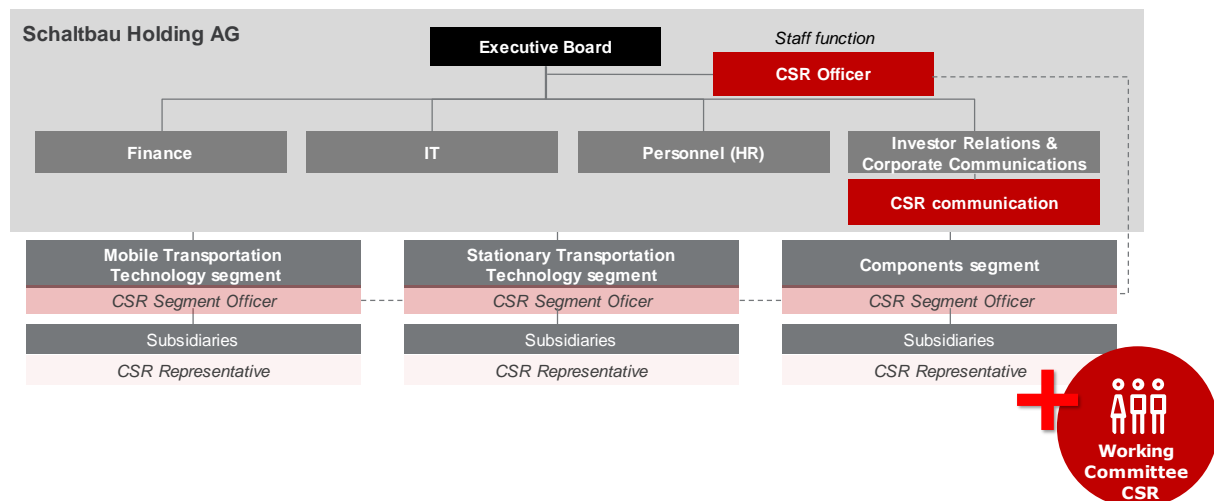
In the fiscal year 2017, the first group-wide rating was conducted by the rating agency EcoVadis, which acknowledges the Schaltbau Group's sustainability performance. The Schaltbau Group achieved bronze status in this rating with a score of 45 points. A new rating process was initiated with the aim of improving the rating. EcoVadis is a rating platform that specialises in providing CSR ratings of suppliers to global supply chains. The methodology underlying the rating is based on international CSR standards, including the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC) and the ISO 26000 standard. It covers 190 categories and 150 countries.

In the fiscal year 2017, the Schaltbau Group laid the foundation for pursuing long-term CSR objectives with the active involvement of the Executive Board of Schaltbau Holding AG and the managing directors of the consolidated companies. Last year, the Schaltbau Group concentrated on establishing a CSR management system, conducting a materiality analysis and setting up a reporting system. In 2018, CSR management focused on measuring CSR performance using KPIs. Moreover, group-wide reporting begins in 2018.

As part of its annual CSR report, the Schaltbau Group will continue to regularly inform its stakeholders about its corporate goals and the extent to which they have been achieved.

2.4. CSR organisation and responsibility

Objectives for organising CSR reporting were developed in 2017 and completed and implemented in the course of the fiscal year 2018. The following chart shows the current CSR organisational structure, based on the CSR strategy and the requirements of CSR reporting. Apart from the appointment of a CSR officer at holding company level, CSR representatives were appointed at the subsidiaries and CSR segment officers were defined at segment level. In addition, a working group dedicated to the topic of CSR was formed, which works on the further development of CSR management at regular meetings and consists of the CSR officer and the CSR segment officers.



The CSR reporting process is structured hierarchically from the subsidiaries via the Schaltbau segments to Schaltbau Holding AG. CSR reporting is based on a two-stage consolidation and validation process at segment and holding company level in order to ensure the high reliability, quality and consistency of the data. The CSR Report is prepared on the basis of the aggregated data pool.

The first steps towards CSR management at holding company level were taken in 2018 with the implementation of a group-wide collection system for selected non-financial performance indicators. The inclusion of further indicators in the collection system is planned for the next few fiscal years. Following the focus on standardised data collection in the fiscal year 2018, the agenda for next year will include further analysis of possible targets with regard to environmental issues, human rights and sustainable procurement.

A group-wide CSR corporate policy is currently still at the introductory stage. Furthermore, the Schaltbau Group's Code of Conduct, updated in 2018, ensures that employees act in compliance with the law. New employees receive training in this field. Violations of the Code of Conduct will not be tolerated and can result in disciplinary action.

2.5. Incentive systems

The principal features of the compensation systems for members of the Executive Board and the Supervisory Board as well as their total compensation are disclosed in the compensation report section of the Group Management Report. The Schaltbau Group's compensation system is based on the principles of performance and earnings. Criteria for the appropriateness of compensation include the particular tasks performed by each of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business, taking the market environment into due consideration, the customary amount of compensation and the compensation structure compared with the wage and salary structure, both within the enterprise itself and in other companies of comparable size and industry.

In accordance with statutory provisions, the structure of the compensation system for the members of the Executive Board is reviewed and determined by the full Supervisory Board. Specific proposals for the compensation of Executive Board members are prepared either by the Personnel Committee or the full Supervisory Board in each individual case, to enable maximum flexibility in the handling of questions of compensation for Executive Board members in the course of Supervisory Board work. The procedure is in accordance with the Declaration of Compliance regarding sections 5.2/5.3 of the recommendations of the Government Commission on the German Corporate Governance Code, which is available on the company website at: <https://schaltbaugroup.com/investor-relations/corporate-governance/declaration-of-compliance/>.

The compensation system does not currently stipulate any explicit CSR targets. However, the structure of the target agreements for specialists and managerial staff allows CSR targets to be implemented in the target agreements.

3. CUSTOMER INTERESTS AND PRODUCT MANAGEMENT

The most important topics with regard to customer interests and product management include product safety and quality, customer satisfaction, innovation and digitalisation. The aim of the Schaltbau Group is to ensure a high level of product safety and quality and supplement its product portfolio and service offering with innovative and digital solutions by investing in research and development. As an enterprise operating on a global scale, the Schaltbau Group has a great deal of responsibility for the sustainable development of products that take into account the interests of users and meet the requirements of health, safety and environmental protection. At the same time, it creates added value for its customers.

To ensure outstanding quality and high safety standards, the Group's products are subject to strict quality and defect management procedures. Furthermore, Schaltbau Refurbishment GmbH specialises in the maintenance and modernisation of trains, which can significantly extend service life, greatly reducing the amount of waste generated as well as the consumption of resources. Schaltbau Refurbishment GmbH thus makes a key contribution to optimising the total cost of ownership across the entire life cycle and at the same time helps our customers meet passengers' needs for greater convenience and functionality.

In the year under report, Gebr. Bode GmbH & Co. KG continued to conduct development work in the cooperation project "For(s)tschritt", which is researching the use of wood-based composite material systems as an alternative to conventional lightweight solutions. The Schaltbau Group wants to use sustainable, wood-based material systems to help reduce the environmental impact caused when manufacturing road vehicles and rolling stock. The use of highly efficient LEDs and state-of-the-art optical and electronic concepts in signals considerably prolongs not only the service life, but also the efficiency of the Group's products, significantly reducing maintenance and other costs for the customer. In other areas too, such as point heating systems and track lighting, customers can significantly reduce energy consumption and maintenance costs with solutions developed by the Pintsch Group. In the Schaltbau GmbH Group, among other projects, development work continued on contactors for DC applications, which resulted in an expansion of business in sectors outside the

railway industry. The focus here is on products capable of adequately covering applications in the fields of new energy, electromobility, DC industry and smart building.

Subject to consultation with customers and suppliers, products can be developed that take certain ecological aspects into account. At Pintsch Tiefenbach GmbH, for example, customers are involved in the specification of products.

The main risks that can arise in conjunction with customer interests and product management are warranty risks, which are described in detail in the Risk Report within the Group Management Report 2018.

In order to protect the Group's reputation and customer interests, potential production risks are limited by comprehensive regulations and the application of processes relating to quality management, product safety and occupational safety. The main companies of the Schaltbau Group are certified in accordance with ISO 9001 standards and additionally meet other industry-specific quality management standards. 98% of the Schaltbau Group's employees work in accordance with certified quality standards. In the course of certification, companies are required to provide information on their objectives, including time periods and the achievement of those objectives.

Customers are also partly involved in quality management in the course of audits. Quality management measures resulting from these internal or external audits are monitored by the quality department and checked for effectiveness. No group-wide performance indicators in the field of quality management are currently being recorded.

However, comprehensive performance indicators have already been introduced at Pintsch Bamag Antriebs und Verkehrstechnik GmbH, Schaltbau GmbH and Schaltbau Refurbishment GmbH. These include supplier and production quality, failure costs, warranty costs and repair costs.

The management teams at the Group's most important production sites in Germany are formally involved in product and quality management and regularly informed about product and development planning by those responsible.

4. ENVIRONMENT

4.1. Resource-friendly management

The manufacturing of long-lasting, sustainable products and the efficient use of resources and raw materials are an integral part of the Group's corporate philosophy. For this reason, the Schaltbau Group attaches great importance to protecting the environment.

The Schaltbau Group's resource management is based on principles, policies and guidelines that are set out in the Code of Conduct and all employees are required to adhere to them.

No notifiable risks were identified during the year under report and separate measures to mitigate risk were therefore not necessary. At the operational level of the most important Schaltbau manufacturing companies in Germany, risk analyses are performed on an ongoing basis, for example to replace materials that are hazardous to health or to prevent groundwater contamination.

Conservation of resources in production

The Germany-based Schaltbau companies have already implemented various measures to conserve resources on an individual basis. For both environmental and cost reasons, energy and water consumption as well as waste are reduced to a minimum or ideally even avoided altogether during the production process. The Group also actively works to reduce emissions and protect the environment on a product-related basis.

The measures taken to save energy include the insulation and modernisation of production buildings, the successive renewal of machinery and the installation of energy-efficient LED lighting. Photovoltaic systems and combined heat and power plants are also utilised.

Schaltbau companies based in Germany obtain their water exclusively from the local public water supply in their respective towns and cities. Employees are continuously informed about water consumption and thus sensitised to the environmentally conscious use of water.

Waste statistics have been drawn up for both waste recycling and disposal for the Schaltbau Group's Germany-based companies, making it possible to draw conclusions about the quantities of waste generated by the various Schaltbau companies and identify potential for improvement. Guidelines on waste prevention and regular information in newsletters are additional measures intended to raise employees' awareness of the need to separate and recycle waste. Reusable packaging is always used to the extent possible.

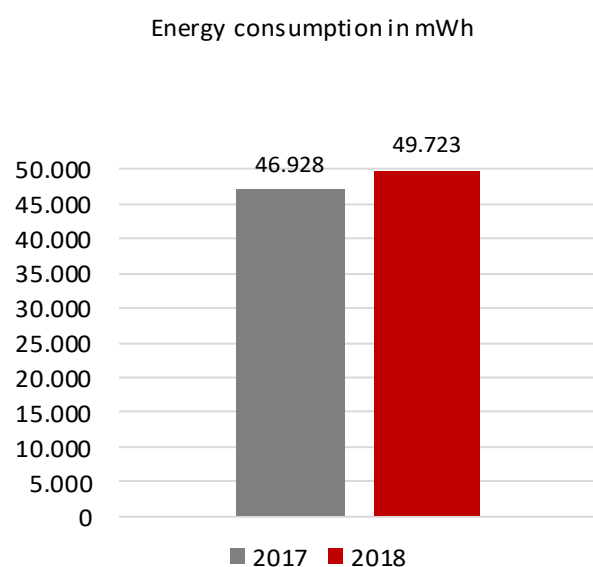
Resource-efficient and environmentally friendly products

In general, the increased transportation of passengers and freight by rail helps reduce the volume of traffic on public roads and contributes towards reducing particulate matter, CO₂ and NO_x emissions as well as overall noise pollution. Considering the limited availability of fossil fuels, the Schaltbau Group is contributing to the decarbonisation of society by promoting the use of electric railway systems.

The Schaltbau Group pursues long-term customer relationships and produces railway products that have a life cycle of at least 30 years. The Group strives for the resource-friendly, efficient use of raw materials in all of its production processes. In this endeavour, the Schaltbau Group is committed to leveraging environmentally friendly technologies and invests continuously in research and development in order to make its manufacturing processes and products even more sustainable. The refurbishment activities of Schaltbau Refurbishment GmbH comprise the general overhauling and repair of intensively used rolling stock, helping conserve resources and raw materials and promoting the efficient reuse of materials. Not only the customer derives benefit, but also the environment and the Schaltbau Group itself.

At the end of the production cycle, wastes are either recycled or properly disposed of in an environmentally compatible manner. The Schaltbau companies in Germany put great emphasis on only placing orders with waste management and transportation companies that are certified as waste disposal specialists.

Energy and environmental management



Specific objectives were defined at the level of Schaltbau Refurbishment GmbH in the fiscal year 2017. These relate to resource conservation and waste separation. Although the resource conservation target has not yet been met, waste separation has been rigorously implemented.

Examples of measures taken to reduce energy consumption in office buildings within the Schaltbau Group firstly include changes in everyday working life, such as switching off lights and PCs before leaving the office. Secondly, IT equipment is being replaced by more energy-efficient options, for example by replacing physical servers with virtual versions.

Eight of the 14 manufacturing companies within the Schaltbau Group are certified in accordance with ISO 14001, which defines corporate environmental policy,

environmental objectives and an environmental programme. These certifications are subject to regular reviews, thereby creating incentives for a continuous improvement process.

For several years, both Schaltbau GmbH and Gebr. Bode GmbH & Co. KG have had access to an environmental data collection system, which covers the aspects of electricity, water, heating oil, natural gas and waste. Based on these best practices, Group-wide KPIs were introduced via workshops in the fiscal year 2018. Moreover, during the year under report a group-wide collection system was set up to record energy consumption.

The following overview provides information on energy consumption.

Across the reporting entity as a whole, energy consumption rose by around 6% from 2017 to 2018. In comparison, the Group's total output rose by 9.5% during this period.

4.2. Climate-relevant emissions

The Schaltbau Group directly generates exhaust emissions primarily through the combustion of heating oil and natural gas (for heating and hot water) and indirectly through electricity consumption. The Schaltbau Group has not yet drawn up a greenhouse gas footprint in accordance with the Greenhouse Gas Protocol.

Schaltbau GmbH has made significant efforts to avoid generating climate-relevant emissions. By introducing new ventilation systems, for example, it was able to reduce its exhaust air and dust emissions and, thanks to high-quality filter and cleaning systems, to achieve a significant reduction to below the specified threshold values. The exhaust emissions generated by the company's vehicle fleet through business trips and other transportation are kept to a minimum by avoiding unladen trips and forming car pools.

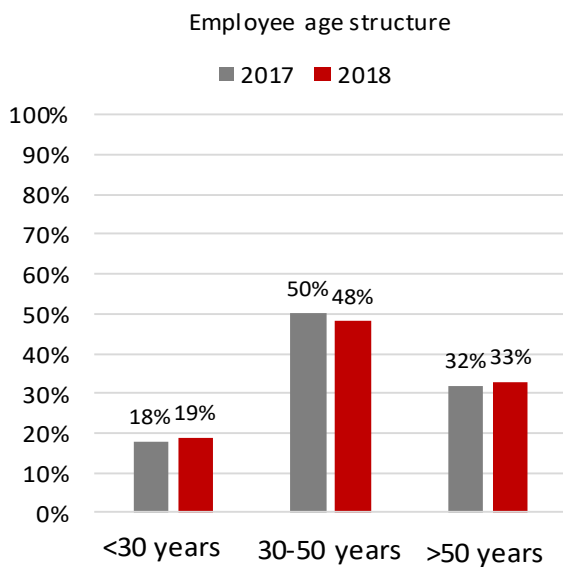
As part of the E-MoMo project initiated by the Regional Management North Hesse, Schaltbau Refurbishment GmbH has set up a charging station at the company car park where employees can charge their electric vehicles. Employees are also encouraged to use electric vehicles for business trips.

The Pintsch Group is preparing the complete consolidation of its production sites as from 2019. The combination of production and logistics at the Dinslaken site is resulting in synergy effects such as the reduction of required production space and the avoidance of unneeded transportation.

The Schaltbau Group aims to publish its climate-relevant emissions on a long-term basis, using a reliable database to draw up a greenhouse gas footprint and successively progress from that point. In a first step, group-wide energy consumption was recorded in 2018.

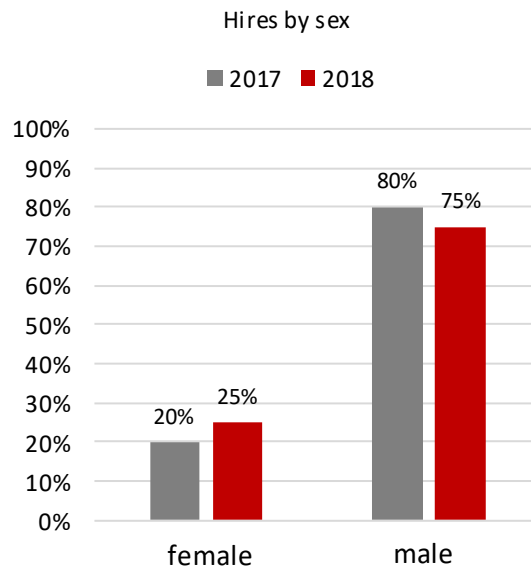
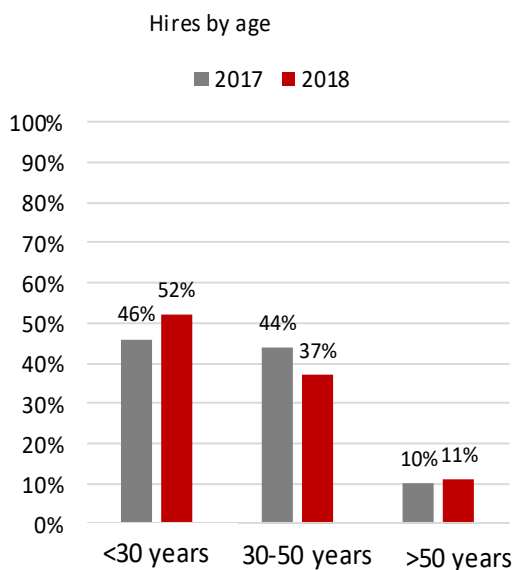
5. EMPLOYEES AND COMPANY

5.1. Employment development³



In the year under report, the Schaltbau Group employed around 3,000 people, the majority of whom were between 30 and 50 years old. The main topics with regard to employees include the recruitment of junior staff, vocational training and advanced training opportunities, occupational health and safety, and equal opportunities.

In particular, the Schaltbau Group made progress in the recruitment of junior staff and equal opportunities. The proportion of new employees under the age of 30 increased from 46% to 52% compared to the previous year. The proportion of women among the newly recruited employees also increased from 20% to 25%.



The Schaltbau Group attempts to mitigate the risks connected with employee matters by offering further training measures, needs-based vocational training, greater in-house cooperation and by conducting surveys on psychological stress. Detailed information on this topic is available in the Risk Report of the combined management report for 2018. Risks particularly relevant to CSR-RUG are the shortage of skilled workers and the inability to recruit sufficient junior staff.

Employee fluctuation in the year under report was just under 12%, similar to the previous year. This metric also takes into account shortdated temporary work contracts.

³ The quantitative data provided in this section are approximate values, as the definitions of key personnel indicators used in the data collection process have in some cases been interpreted differently by the individual companies.

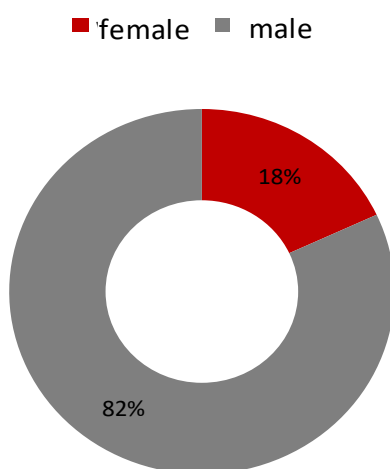
5.2. Employee rights and equal opportunities⁴

The corporate philosophy of the Schaltbau Group is based on the German General Equal Treatment Act (AGG). All employees are treated equally in terms of recruitment criteria, pay, and development opportunities, regardless of gender, origin or religion. No incidents of discrimination were reported during the year under report.

The Schaltbau Group's remuneration system is performance-oriented and clearly structured, with the aim of being comprehensible and transparent for all employees. As Schaltbau companies based in Germany participate in collective wage agreements, the remuneration of employees within Germany is based on these agreements. Employees are remunerated and classified according to their skills, professional experience and individual performance.

The Schaltbau companies based in Germany have the necessary structures to ensure equal opportunities for all their employees and fully comply with the requirements set out in the German law governing the equal participation of men and women in management positions in the private sector and public service. On 31 December 2018, the proportion of female employees was around 18%, similar to the previous year. This low figure can be explained by the fact that the Schaltbau Group operates in a technical sector in which the proportion of women is generally still very low. Through community initiatives, the Group is trying to get more women interested in taking up a technical profession. In collaboration with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Schaltbau Refurbishment GmbH regularly holds open days for young women (Girls' Day) and men (Boys' Day) to give them an insight into our company and to break down typical gender bias when choosing a career.

Employee distribution by sex 2018



Since June 2018, the Supervisory Board of Schaltbau Holding AG has consisted of five male members and one female member. The Schaltbau Group continues to promote a sustained increase in the proportion of women on the Supervisory Board and other management bodies.

Dialogue with employees is required in order to promote equal opportunities within the Group. Schaltbau companies within Germany regularly conduct employee surveys and hold meetings with staff to discuss the workplace, including the psychological workload. The company is also committed to the equal treatment of all employees at its German locations in its joint work with the works council and the representative for severely disabled employees.

In accordance with the Code of Conduct, the participation of employees in the company and in the company's CSR management is being suitably promoted. For example, suggestions for improvements put forward by employees with regard to employee rights, equal opportunities and health are rewarded. Each Schaltbau company in Germany has a works council that represents the interests of employees. The Schaltbau GmbH works council has, for example, initiated an online survey conducted by IG Metall regarding the collective bargaining round. By strengthening the rights of its employees, the Schaltbau Group will become an even more attractive employer for skilled workers.

⁴ The quantitative data provided in this section are approximate values, as the definitions of key personnel indicators used in the data collection process have in some cases been interpreted differently by the individual companies.

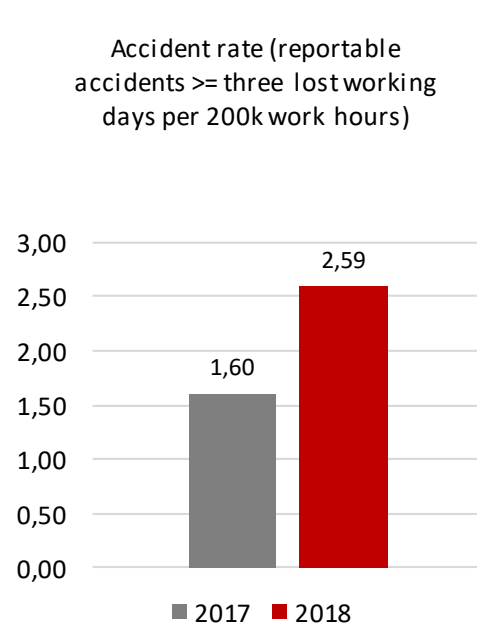
Depending on the company, employees can benefit from flexible working time models, home office options, holiday pay, a Christmas bonus and a food allowance as well as old-age and capital accumulation benefits. Schaltbau GmbH also offers its employees discounts on leisure activities.

5.3. Occupational health and safety

As a manufacturing company, the Schaltbau Group gives the health and safety of its employees top priority. For this reason, the Group complies with national and international regulations on occupational health and safety, takes all the necessary measures to ensure a safe working environment, and minimises risks for employees by optimising work processes.

The Schaltbau Group does not currently have any standardised substantive goals or measures in this respect.

Regulations pertaining to the health and safety of employees are drawn up in the individual companies. The management teams of Schaltbau Group companies based in Germany are responsible for providing resources for occupational health and safety (such as personal protective equipment), for monitoring environmental impacts, for assessing risks arising from business operations and for drawing up contingency plans aimed at reducing the number of emergency incidents and ensuring suitable emergency precautions. The department heads are responsible for compliance with accident prevention regulations as well as for compliance with legal and official requirements concerning the environment, occupational health and safety and emergency planning. They are also responsible for the ongoing monitoring of compliance with the given internal and external regulations on the environment, occupational health and safety, and product safety. In the field of occupational health management, Schaltbau GmbH cooperates with the company health insurance fund BKK Siemens.



Six of the Group's 14 manufacturing companies are certified in accordance with OHSAS 18001 or a comparable standard for occupational health and safety. The key figures on notifiable employee accidents were recorded on a group-wide basis in the year under report. The accident rate was 2.59 in 2018 and 1.60 one year earlier. The change in the figure was largely due to the opening of a new plant and the related insourcing process as well as a sharp rise in the number of commuting accidents that occurred outside the company premises. The companies of the Schaltbau Group strive for process improvements, especially in the affected entities, in order to further improve safety in the workplace.

5.4. Recruitment, vocational and further training

The expertise and the initiative of motivated employees are essential factors in maintaining the Schaltbau Group's competitiveness. It is therefore important for the Group to offer its employees not only a pleasant working atmosphere, but also extensive development and further training opportunities as well as options for improving their individual skills. We see further training as an important investment in the future.

In addition to the further training of employees through a wide range of training courses, most Group companies in Germany offer school leavers a variety of vocational training options and dual courses of study. Students and schoolchildren are given the opportunity to get to know Schaltbau during their studies or their school education by taking up an internship or practical semester. This is also possible in the context of student research projects or final theses. For example, Schaltbau GmbH promotes the expansion of working student activities and the supervision of master's theses and doctorates in order to help young, talented people join the Schaltbau Group and promote innovative ideas at the same time.

5.5. Human rights

The Schaltbau Group is aware of its responsibility and fully committed to the observance of human rights. In addition to other topics, such as preventing child labour, this principle is enshrined in the Code of Conduct that applies to all of the Group's employees and business partners. Training courses are held for employees on the rules set out in the Code of Conduct.

To involve business partners more closely in the concept of responsible action, Schaltbau GmbH developed a Code of Conduct for its suppliers during the year under report. The Code essentially defines expectations with regard to environmental, social and employee issues as well as respect for human rights and the fight against corruption and bribery. The company's main suppliers have been requested to comply with the Code.

As a general rule, if a supplier does not comply with the requirements of the Code of Conduct, the Schaltbau Group reserves the right to terminate the business relationship.

In order to comply with ethical principles in the procurement of raw materials, in addition to the group-wide Code of Conduct, separate guidelines drawn up by individual companies define the handling of conflict minerals in purchasing.

The originally planned systematisation of data collection and the definition of more specific personnel responsibilities for dealing with human rights issues had not yet been completed at the end of the fiscal year 2018. However, the Schaltbau Group still intends to take a closer look at this topic.

No actual or potentially negative human rights violations came to our attention in the supply chain in the fiscal year 2018. There are currently no notifiable risks in accordance with CSR-RUG.

5.6. Social commitment

Voluntary commitment is carried out individually at company level. Apart from civil protection activities, our employees are involved, for example, in social institutions, through internally organised fundraising campaigns, or through sponsorships abroad. Again in the fiscal year 2018, no common targets or measures were defined at Group level in this regard.

6. COMPLIANCE

6.1. Compliance with laws and regulations

The Schaltbau Group's commercial success is based on trust, integrity, fair competition and lawful conduct, both within the Group and towards customers and business partners. These principles are enshrined in the Code of Conduct. Compliance with the Code is ensured by taking appropriate measures and clearly defining responsibilities at all Group levels.

In a selection process, compliance risks have been identified, assessed and presented as a matrix. The processing of individual aspects is based on the topics prioritised in the selection process. Identified risks include the fields of corruption prevention (money laundering), customs law and export control, antitrust issues, data protection, product liability and CSR.

The Schaltbau Group's Code of Conduct in particular is designed to heighten awareness of compliance issues. In addition to the Code, policies are being implemented for individual compliance fields via an introductory process coordinated with the Group's companies. The Schaltbau Group closely monitors regulatory developments and responds proactively to legislative initiatives. As a rule, policies are stipulated at holding company level. Only in exceptional cases do additional local rules exist that take the specific circumstances of individual countries into

account. For each compliance field, policies are reviewed after three years at the latest to ensure they are up to date.

At holding company level, the Group Compliance Officer is responsible for managing the Group's compliance activities worldwide and reports directly to the Executive Board. The Bode and Schaltbau GmbH subgroups each have compliance officers and compliance representatives who are responsible for their local units and report directly to the Group Compliance Officer of the holding company. Moreover, a compliance unit is currently being established in the Pintsch Group.

Compliance regulations must be adhered to by all employees. With the introduction of new regulations or within regular cycles, employees are trained in compliance fields, either in classroom scenarios or via e-learning, on how to deal with topics such as corruption, antitrust and customs law as well as data protection. Audits performed by independent auditors are also used to supplement training measures with the aim of ensuring compliance with statutory regulations and in-house guidelines that are relevant for the Schaltbau Group's nationally and internationally based companies. As a rule, audits of the various compliance fields are repeated after four years and after three years in the case of money laundering. Accordingly, the internal auditors alternately focus their attention between German, European, American and Asian locations each year. In the fiscal year 2018, the auditors focused on Group companies in Germany, where five out of 21 units were audited with regard to corruption risks. In 2019, the audits will focus in particular on the US-based companies in the Schaltbau Group.

Alleged compliance violations can be reported anonymously to the compliance representatives of the respective companies. Incoming notifications are processed promptly and if violations are detected, sanctions can be imposed on those responsible if deemed appropriate.

In 2018, there was one confirmed case of fraud committed by external parties. In addition to the involvement of law enforcement authorities and the bank concerned, the incident was subject to an internal investigation. Employees were also sensitised through preventive measures. No internal cases of corruption were detected in the fiscal year 2018.

As in previous years, no investigations were conducted against the Schaltbau Group by state institutions during the year under report. In 2018, no significant fines were imposed on Schaltbau companies in connection with compliance violations.

6.2. Political influence

Any political influence exerted by the Schaltbau Group is done exclusively via association activities, such as through its attendance at association meetings (German Railway Industry Association, German Automotive Industry Association, German Electrical and Electronic Manufacturers' Association). Furthermore, Schaltbau GmbH, for example, is a member of the Bavarian metal and electrical industry, the German Institute for Standardization, the German Mechanical Engineering Society, the German Chamber of Commerce, the Industry Pensions Association, the Association for Production and Logistics Management and the Association of Electrical Engineering, Electronics and Information Technology. As part of the industry working group "Legally compliant environmental management in the electronics industry", Schaltbau GmbH is committed to the implementation of RoHS, REACH, WEEE and other environmental requirements and prepares itself for the development and manufacturing of legally compliant products.

In accordance with the internal donations policy, the Schaltbau Group does not give any type of donations or election campaign support to political parties, similar organisations, or candidates for political positions.



SCHALTBAU HOLDING AG

Hollerithstrasse 5
81829 Munich
Germany

T +49 89 93005-0
F +49 89 93005-350

schaltbaugroup.com