



Sustainability Report 2019

of

Schaltbau Holding AG

According to the German sustainability code

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FOREWORD BY THE EXECUTIVE BOARD

Dear Readers

With this report we would like to give you as comprehensive an insight as possible into the current status of our activities in the field of sustainability. Regular CSR reporting itself also serves as an indicator for the ongoing optimisation of our overall business activities. We will provide detailed information on the restructuring programme successfully completed in fiscal year 2019 as part of our financial reporting. The same applies to the vital topic of safety, which is the focus of all our operational activities. Safety is a key aspect firmly embedded at various levels of all our three business segments, whether as a standard, a regulation, or the perception of safety for passengers travelling by rail or road.

However, in this report we want to highlight the exceptional sustainability of our business model against the background of the major mega-trends that are increasingly shaping society and our sales markets alike.

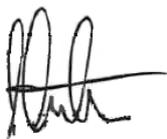
For the past 90 years, the Schaltbau Group's products, systems and services have made a significant contribution to ensuring safe, convenient mobility. Today, however, the emphasis is increasingly on the transition to new forms of mobility that conserve resources and protect the climate. Compared to air and road transportation, railways are the eco-friendly alternative for moving both passengers and freight, thereby making a significant contribution to cutting greenhouse gas emissions. Additional activities relevant to the sustainability of rail transport include the digitisation and automation of rolling stock, reducing overall weight by designing light-weight train doors, manufacturing components that safely store renewable energy and the conservation of resources by refurbishing existing trains.

The high relevance of environmentally friendly, safe, convenient mobility for our business model also points to the sustainable nature of our own value and supply chains. For this reason, we are not only concerned with cutting emissions and saving energy, but also with developing the skilled men and women who make up our workforce. In this regard, respect for human rights is just as much a part of our philosophy as the avoidance of conflict materials. We view our investments in sustainability as an investment in the future of our Group, its employees, society, and the generations to come.

We want to be guided by this vision of sustainability as we move forward and are therefore reporting on the tangible progress of our CSR activities. That is why we also joined the UN Global Compact initiative during the year under report, the world's largest and most important organisation for responsible corporate governance, which is under the auspices of the United Nations. Based on ten universal principles and its Sustainable Development Goals, the UN Global Compact pursues the vision of an inclusive, sustainable global economy for the benefit of all people, communities and markets, both now and in the future. With our self-commitment and dedication, we are actively involved in making this vision a reality by assuming responsibility and contributing towards a fair, sustainable economic order.

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. In the current year and beyond, we will continue to adapt our reporting to meet your informational needs.

31 March 2020



Dr Albrecht Köhler
CEO



Thomas Dippold
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Volker Kregelin
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ABOUT THIS REPORT

Contents of the report

With this CSR Report, the Schaltbau Group wants to show the progress it has made in terms of sustainability during the period under report. At the same time, the Group is complying with its responsibility to prepare a separate non-financial Group report in accordance with sections 315b and 315c and in conjunction with sections 289c to 289e of the German Commercial Code (HGB). The non-financial Group report is part of this CSR Report for 2019, which the Schaltbau Group has again this year based on the guidelines set out in the German Sustainability Code (GSC). Moreover, the report is based on the requirements of the Global Reporting Initiative (GRI Standards). It also serves as a progress update as part of the Schaltbau Group's commitment to the UN Global Compact. Detailed information on compliance with the principles of the UN Global Compact is provided on page 27.

Scope of application and reporting period

The contents of the report relate to Schaltbau Holding AG and its fully consolidated subsidiaries. A list of consolidated entities is provided in table XX of the Schaltbau Holding AG Annual Report 2019. Not included in the CSR Report are Alte Technologies S.L.U. ("Alte"), Albatros S.L.U. and its fully consolidated subsidiary Albatros North America Inc., which were deconsolidated during the first six months of 2019 and were therefore no longer part of the Group reporting entity at 31 December 2019. Changes to the Group reporting entity are a reason for major differences to the previous year's figures.

The CSR Report 2019 relates to the fiscal year 2019 and covers the period from 1 January to 31 December 2019.

Further development of environmental performance indicators

Following extensive further development of the environmental performance indicators in 2018, the work was continued throughout the year under report. For the compilation of greenhouse gas emission data in particular, additional indicators were included in the statistical data survey, existing definitions were made more precise and qualitative improvements were made to data management processes. Furthermore, differences to data provided in previous reports can be explained by improvements in the availability of data in the meantime. Any significant changes in previously reported data, i.e. greater than 15% in total, are indicated at the appropriate points.

Editorial information

For reasons of readability, the masculine form has been used in this report for gender-specific designations. The CSR Report 2019 is available in both German and English. Both versions are available on the Schaltbau Group's website at: <https://schaltbaugroup.com/>.

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 the maintenance of its products and systems as well as a range of other aftersales services. The Schaltbau Group supplies components and systems to the railway, automotive and capital goods industries. With Schaltbau, Bode, Pintsch and SBRS as their established core brands, Schaltbau Group companies develop a broad portfolio of high-quality technologies and customer-specific solutions for rolling stock, rail infrastructure, road vehicles and a host of other industrial applications. Moreover, as a specialist for smart DC-based energy concepts, the Schaltbau Group has successfully positioned itself as a driver of innovation for future-oriented markets such as new energy, new mobility and innovative industrial solutions.

Partnering prestigious customers in the rail infrastructure, mobility and logistics markets, Schaltbau Group companies supply a wide range of products, including:

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

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. Moreover, the Group's safety-related technology products are installed, for example, in 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 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 closely linked to the rail sector, which is its most important market, and the receipt of orders from both railway companies and train manufacturers. Bus fleet operators and bus manufacturers are also among the Schaltbau Group's key customers in the fields of high-speed charging technology and 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 "Bode. The Door." as the main brand is a key supplier to systems manufacturers of rolling stock, buses and commercial vehicles. The Bode Group, which generates the majority of the segment's revenue, is a leading supplier of door and boarding systems for trains, buses and commercial vehicles as well as interior fittings for rolling stock. Its range of products and services includes development, production, installation, commissioning and maintenance as well as aftersales service.

The "Systems for Railway Vehicles" product group comprises complete systems fitted with innovative safety technology and boarding systems for trams, metros, suburban and regional trains as well as high-speed in-

tercity trains. Its range of products makes the Schaltbau Bode Group one of the most important manufacturers in its field in Europe and it is positioning itself as a key partner for train manufacturers and railway systems suppliers worldwide. Moreover, with its door systems for urban buses, coaches and commercial vehicles, the Schaltbau Bode Group is among the leading suppliers in Europe and integrated in many of the platforms of major manufacturers. The "Systems for Road Vehicles" product group comprises sliding doors with guide systems for box bodies as well as guide systems for the sliding side doors of commercial vans and cars.

SBRS GmbH (formerly Schaltbau Refurbishment GmbH), which pools the activities of the entire Schaltbau Group for modernising rolling stock in various projects, also belongs to the Mobile Transportation Technology segment. In addition, SBRS GmbH develops and supplies turnkey, high-performance fast-charging infrastructure solutions for electric vehicles based on DC technology.

- The **Stationary Transportation Technology segment** with the brand "Pintsch. Safety for Rail" comprises the business operations of Pintsch GmbH, which supplies Deutsche Bahn AG as well as a number of German and international rail infrastructure operators, including private, company and port railway systems. Its most important product fields are computer-controlled railway crossing safety technologies, axle counting systems and signal technology.¹
- The **Components segment** with the main brand "Schaltbau – Connect Contact Control" comprises the operations of Schaltbau GmbH and its subsidiaries. The Schaltbau GmbH Group mainly develops, produces, and sells connectors, snap-action switches, contactors and driver's cab equipment that meet the highest safety standards. Connectors, for example, are vital components in the fast-growing market for communications solutions for rolling stock as well as for industrial trucks and a variety of other industrial applications. Snap-action switches are primarily installed in the door systems and master controllers of rolling stock. Contactors are electrically actuated switches for handling high-voltage currents and are installed, for example, in locomotives and multiple units. They are also used for generating renewable energy in wind farms and photovoltaic power plants as well as in electric mobility applications, mainly for switching direct current. The driver's cab equipment ranges from individual master controllers to fully integrated driver's desks that are centrally connected to the railway vehicle's control system.

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 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 it 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.

¹ Pintsch Tiefenbach GmbH was merged with Pintsch Bamag GmbH on the basis of a merger agreement dated 14 February 2019. Furthermore, Pintsch Bamag GmbH was renamed Pintsch GmbH. A contract was signed pertaining to the merger of Pintsch Tiefenbach GmbH and the German branch of Netherlands-based Pintsch Aben B.V. with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, which was renamed Pintsch GmbH on 18 January 2019.

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 Schaltbau Group's Code of Conduct apply throughout the entire organisation, both in Germany and abroad, and for all companies in which the Group has a majority shareholding, either directly or indirectly. The Code of Conduct also applies to the Schaltbau Group's dealings with external business partners, suppliers and third parties. The Schaltbau 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 is available on the Schaltbau Group's website at: <https://ir.schaltbaugroup.com/websites/schaltbau/English/5500/responsibility.html>.

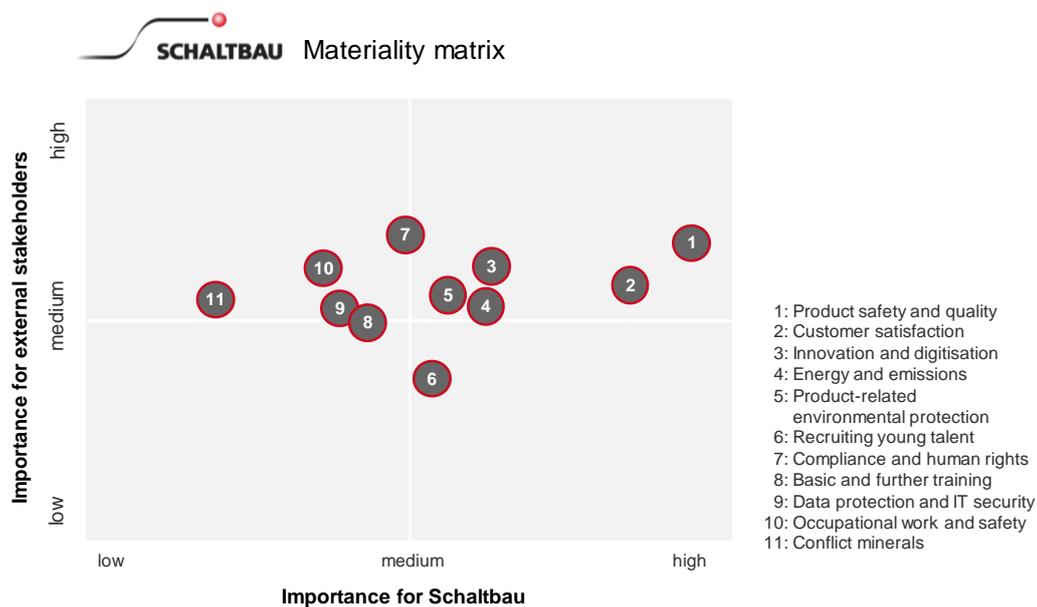
The Schaltbau Group provides its business partners with company-specific information that includes certificates regarding the non-use of conflict minerals, the origins of raw materials and compliance with REACH regulations. The Group also offers its business partners assistance in improving their corporate 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 issues identified are relevant for understanding the Group's financial performance, operating results and position. They also have a significant impact on the non-financial aspects of the Schaltbau Group's operations. The issues identified cover all the required aspects of CSR-RUG and are presented in the following diagram. In view of the steadily increasing public attention as well as investor expectations, the Schaltbau Group is planning a comprehensive review of its materiality analysis in 2020.

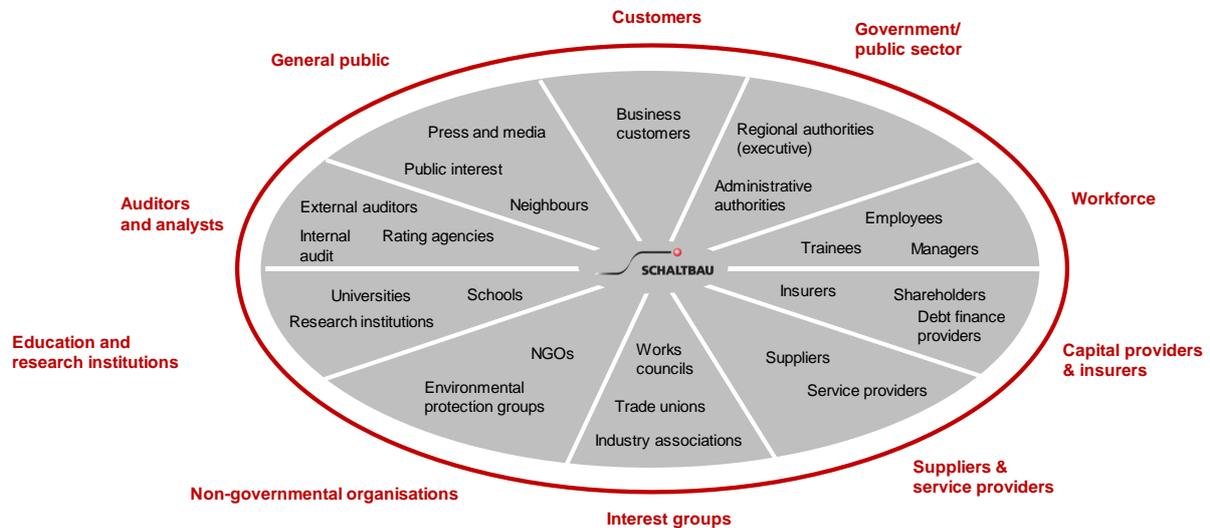


In the view of stakeholders, product safety, product quality, and customer satisfaction are of particular importance due to the growing need for both safety and convenience. Innovation and digitisation are also playing an increasingly key role in an age when both rail infrastructure and passenger information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

The CSR issues identified in the materiality analysis are addressed in chapters 3 to 6 of this report, which also deal with the respective targets, concepts, results and reportable risks. The CSR-relevant risks discussed in the Management Report 2019, which have been 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 and CSR rating

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
- Regular personal talks with media representatives and capital market participants
- Employee surveys and employee information events
- Various committee and association meetings
- Research cooperations with universities

In addition to the materiality analysis, the insights gained from interaction with stakeholders are incorporated in the ongoing management of CSR. 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 reappraisal of the understanding of key stakeholder expectations. They make it possible to identify specific risks and opportunities in good time and adjust business operations accordingly.

This approach is also reflected in the results of the EcoVadis ratings. EcoVadis is a rating platform that specialises in providing CSR ratings of suppliers to global supply chains. The methodology behind 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 therefore covers 198 categories and 155 countries. After the first Group-wide rating was conducted by EcoVadis in fiscal year 2017, achieving bronze status with 45 points, the number of points was further increased and silver status was achieved in fiscal year 2019. In 2020, a new rating process will be initiated with the aim of continually improving the rating. Schaltbau Group subsidiaries are included in the EcoVadis rating and they provide their business partners with detailed information on the rating upon request. EcoVadis conducts its rating at Group level among Schaltbau Holding AG subsidiaries.

2.3. CSR strategy and objectives

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

In 2017, the Schaltbau Group determined its CSR strategy and has already initiated key processes to ensure its implementation. Based on the results of the materiality analysis and the legal requirements of CSR-RUG, a detailed catalogue of measures was developed. It includes targets, measures, KPIs and responsibilities and forms the basis for the undertaking of 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 are:

- **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 silver status achieved in the latest Group-wide EcoVadis CSR rating and continue improving 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 measure, manage and improve 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.

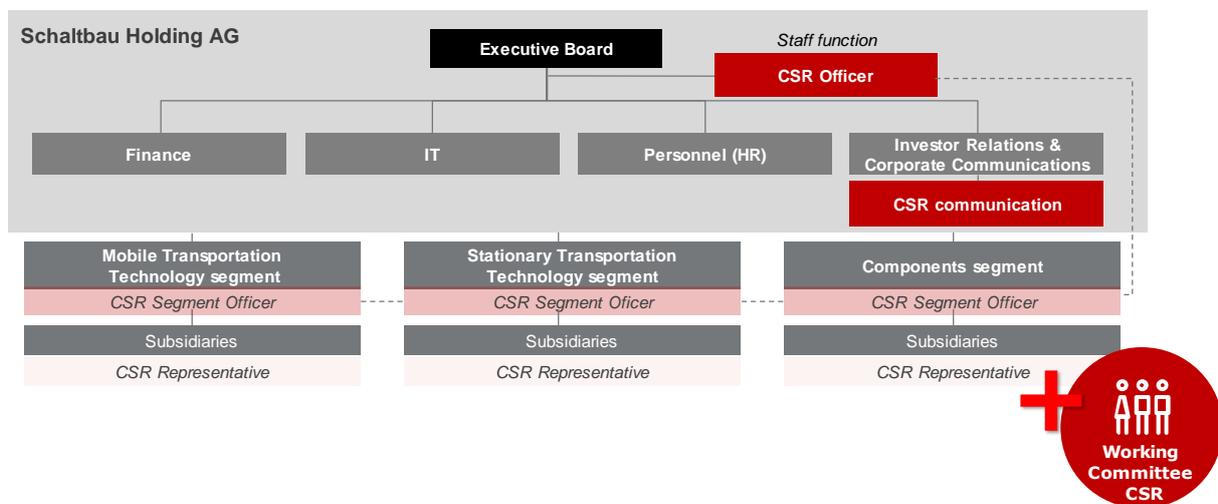
In the fiscal year 2017, the Schaltbau Group laid the foundation for pursuing long-term CSR objectives with the active involvement of the Executive Board of Schaltbau Holding AG and the managing directors of its consolidated companies and concentrated on establishing a CSR management structure, carrying out a materiality analysis and setting up a reporting system.

Whereas in 2018 the focus of CSR management was on compiling quantitative environmental indicators and the further professionalization of reporting processes, the year 2019 saw an increasing focus on CSR issues. Among other aspects, the Schaltbau Group extensively addressed the complex topics of "Sustainable Supply Chain and Human Rights" as well as "Climate Management". The objective of the initial assessment was achieved for both topics. For example, a risk analysis was undertaken to identify human rights risks in the supply chain (for further information, see page 23) and work began on drawing up a greenhouse gas assessment (for further information, see page 17). Moreover, in 2019 a further objective of the catalogue of measures was implemented and the Group joined the United Nations Sustainable Development Solutions Network. As a participant in the United Nations Global Compact (UNGC) initiative, Schaltbau is committed to ten principles of corporate responsibility. These are divided into the categories of human rights, labour, environment and anti-corruption.

Thus, as from this reporting year, a progress report will be integrated within the annually published CSR Report, which informs the Schaltbau Group's stakeholders about its corporate objectives and their degree of implementation (for further information, please see page 27).

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 situation.

The first steps towards CSR management at holding company level were taken in 2018 with the implementation of a Group-wide data compilation system for selected non-financial performance indicators. In the 2019 reporting year, these performance indicators were expanded to include the compilation of a greenhouse gas emissions assessment. In 2019, a Group-wide CSR corporate policy was also introduced. In addition, the Schaltbau Group's current Code of Conduct ensures that its 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 results. 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.

The structure of the compensation system for the Executive Board is discussed and approved 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://ir.schaltbaugroup.com/websites/schaltbau/English/5300/declaration-of-compliance.html>.

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 digitisation. 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, SBRS GmbH (formerly Schaltbau Refurbishment GmbH) specialises in the maintenance and modernisation of trains, which can significantly extend their service life, greatly reducing the amount of waste generated as well as the consumption of resources. SBRS 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.

During the year under report, among other innovations, Gebr. Bode GmbH & Co. KG introduced the concept of condition-based maintenance (CBM) in an initial customer project. The procedure is designed to replace the previous period-based maintenance system and maintenance and repair work are now carried out according to the degree of wear on the components, ensuring that they are not unnecessarily disposed of prematurely, but optimally used until the end of their service life. It also increases the availability of boarding systems deployed in regular passenger services, as any deterioration in the quality of key components can now be detected before a failure occurs.

Furthermore, technologies and materials in the field of lightweight design are being researched in the context of a collaborative project and lightweight door leaves are currently being developed on this basis. Reduced door weight will also make it possible to simplify the design of drive units. Due to the improved heat insulation characteristics typical for lightweight materials, the use of lightweight door leaves can also potentially reduce the amount of energy required to heat railway carriages.

Pintsch GmbH uses highly efficient LEDs and state-of-the-art optical and electronic equipment in its signals, which considerably prolongs not only the service life, but also the efficiency of its products, significantly reducing maintenance and other costs for the customer. In other areas too, such as point heating systems and track field lighting, customers can greatly reduce their energy consumption and maintenance costs with solutions developed by Pintsch GmbH.

Within the Schaltbau GmbH Group, the main focus was again on the further development of contactors for safety-related DC applications, with the aim of expanding the business to include the fields of new energy, e-mobility and the DC industry. Additionally, a new generation of connectors for materials handling applications using lithium-ion batteries was completed, enabling industrial trucks to be operated in a more sustainable manner.

In coordination with customers and suppliers, products can be developed that take certain ecological aspects into account. At Pintsch GmbH, customers are becoming increasingly involved in the product specification process.

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 combined Management Report for Schaltbau Holding AG and the Group for 2019.

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 health and 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 Schalt-

bau 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. Group-wide performance indicators in the field of quality management are not currently being recorded.

Comprehensive performance indicators have already been implemented at Pintsch GmbH, Schaltbau GmbH and SBRS GmbH, including supplier and production quality, failure costs, warranty costs and repair costs.

The management teams of Group companies with production sites located 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-efficient 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 these reasons, the Schaltbau Group attaches great importance to protecting the environment.

The Group's resource management system 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 reportable 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.

Conserving resources in production

All Schaltbau companies have already taken 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 implemented 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 being utilised.

Schaltbau companies based in Germany obtain their water exclusively from the local public water supply in their respective towns and cities. Employees are continually informed about water consumption and thus sensitised to the environmentally conscious use of water. The Schaltbau Group's foreign subsidiaries also take measures to reduce their water consumption.

Any wastes generated during production are either recycled or properly disposed of in an environmentally compatible manner. 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. The Schaltbau Group's main manufacturing companies outside Germany also take various measures to improve waste recycling rates and minimise disposal. As a general rule, Schaltbau puts great emphasis on only placing orders with waste management and transport companies that are certified as waste disposal specialists.

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. Furthermore, with its DC-based, high-performance, fast-charging stations SBRS GmbH (formerly Schaltbau Refurbishment GmbH) is promoting the transition to e-bus fleets in environmentally conscious cities, towns and municipalities. Finally, with its contactors for safe switching under direct current, Schaltbau GmbH is contributing to the broader use of e-mobility applications, such as in e-buses.

The Schaltbau Group fosters long-term customer relationships and produces railway-related 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 SBRS GmbH comprise the general overhauling and repair of intensively used rolling stock, helping to conserve resources and raw materials and promote the efficient reuse of materials. The strategy is not only a benefit for the customer, but also for the environment and the Schaltbau Group itself.

Energy and environment management

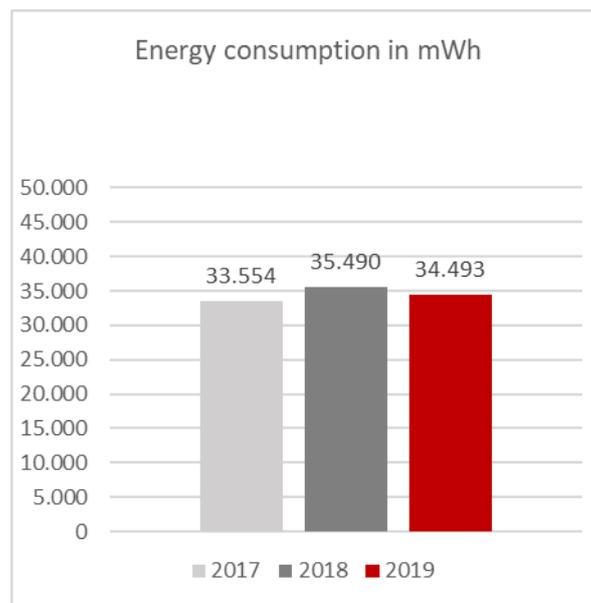
SBRS GmbH already defined its specific objectives relating to resource conservation and waste separation in the fiscal year 2017. Although the resource conservation target has not yet been met, waste separation is being systematically implemented. To the extent possible, returnable packaging is used, e.g. with customers such as Stadler and Bombardier.

Heating systems at production facilities in France and Italy were modernised and buildings renovated during the year under report, enabling the above-mentioned companies to reduce their energy usage. Further 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 systems.

Half of the manufacturing companies within the Schaltbau Group are already 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, a Group-wide data collection system was set up to record energy consumption in fiscal year 2018 and further developed in 2019.

The following overview provides information on energy consumption²:



4.2. Climate-relevant emissions

In 2019, one of the two main areas of focus in the Schaltbau Group's CSR management system was climate management, which includes the strategic and operational handling of the challenges of climate change, the greatest of which is the reduction of the Schaltbau Group's own greenhouse gas emissions. In this respect, the Group made good progress in the year under report with the initiation of a greenhouse gas assessment project. In future, the Schaltbau Group will also address other aspects of climate management, such as the implications of climate change for product and site management as well as climate-induced risks in the upstream value chain.

As part of the greenhouse gas assessment project, emissions-relevant indicators were initially included in the annual data compilation during the year under report, which were sufficient for an initial analysis. These data will be additionally validated in the course of the coming year. In 2020, the Schaltbau Group aims to publish its first greenhouse gas assessment, identify emissions hotspots within the company on the basis of reliable data, and subsequently implement targeted reduction measures.

The extensive introduction of a new ventilation system at Schaltbau GmbH in the previous year is also contributing to a sustained reduction in exhaust air and dust emissions this year, keeping emissions significantly below the specified threshold values in the long term.

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. When selecting its suppliers, Schaltbau France S.A.S. gives preference to locally based companies in order to minimise the emissions caused by goods transportation.

²Due to changes in the Group reporting entity, the data collected in 2019 are not comparable with historical data. The historical values were also adjusted retrospectively due to corrections in the database.

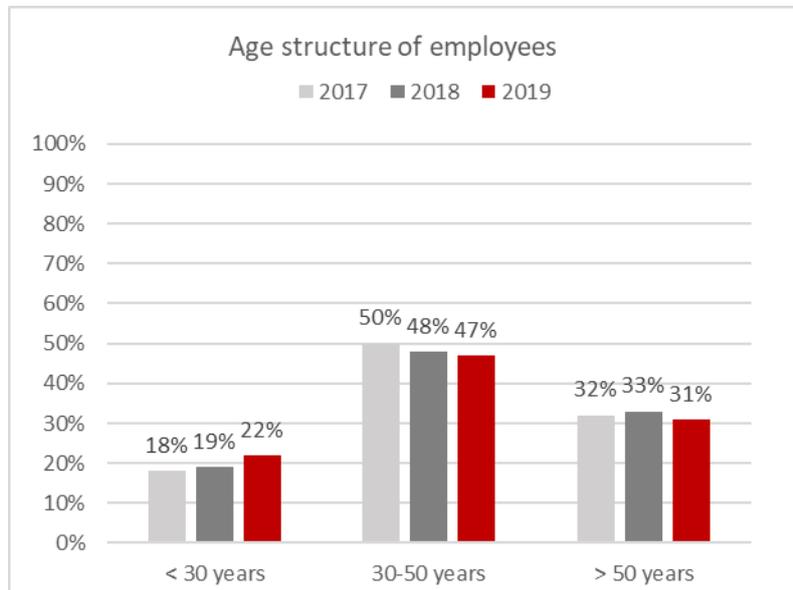
As part of the E-MoMo project initiated by Regional Management North Hesse, SBRS GmbH has installed a charging station at the company car park where employees can charge their electric vehicles and additional stations are planned. Employees are also encouraged to use electric vehicles for business trips.

Pintsch GmbH consolidated its manufacturing sites during the year under report. The combination of production and logistics at the Dinslaken site is generating synergy effects, such as the reduction of required production space and the avoidance of unneeded transportation.

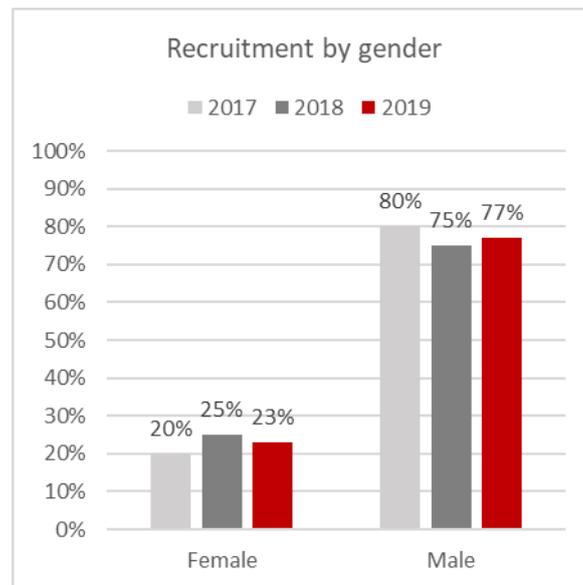
5. EMPLOYEES AND COMPANY

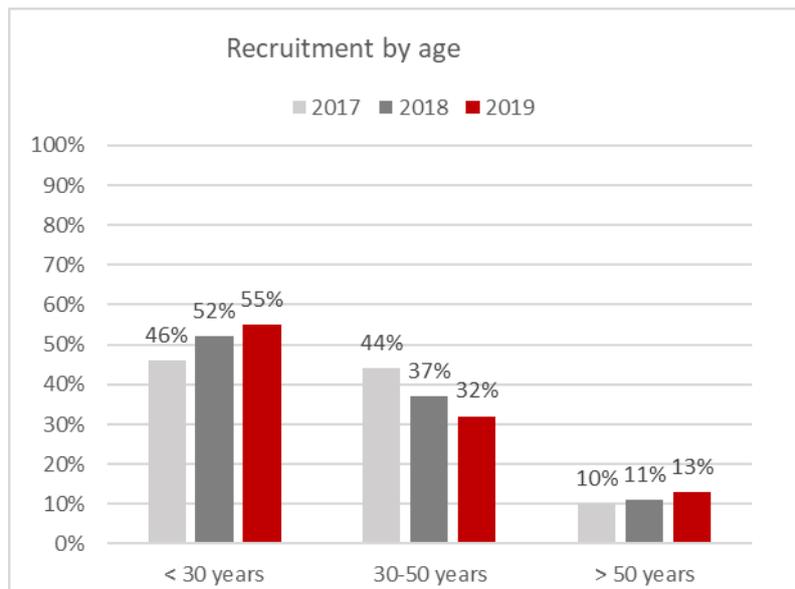
5.1. Employment trends

At 31 December 2019, the Schaltbau Group employed 2,863 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.



The Schaltbau Group again made particularly good progress in its efforts to recruit junior staff. The proportion of newly recruited employees under the age of 30 increased from 52% to 55% year-on-year. The percentage of women among those new recruits, however, decreased slightly from 25% to 23%.





The Schaltbau Group attempts to minimise risks relating to employee matters with targeted recruitment measures, further training opportunities, needs-based vocational training and greater in-house cooperation. Detailed information on this topic is available in the Risk Report of the combined management report for 2019. Risks particularly relevant to CSR-RUG are the shortage of skilled workers and labour law-related risks.

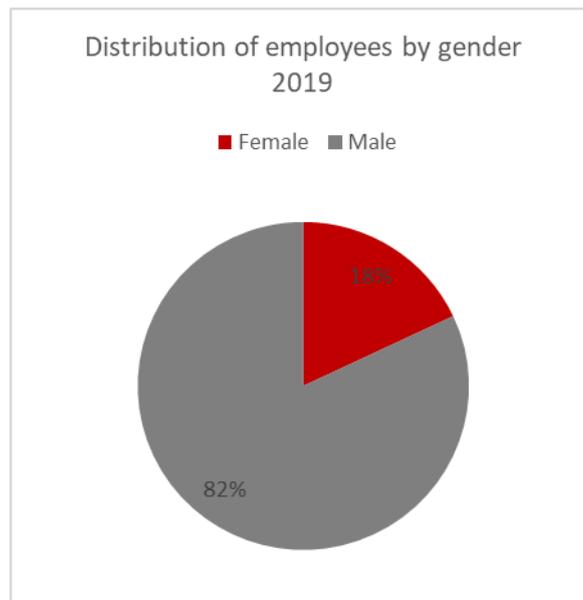
Employee fluctuation in the year under report was 12.5%, similar to the previous year's level. The figure also takes short-term, fixed-term employment contracts into account.

5.2. Employee rights and equal opportunities

The corporate philosophy of the Schaltbau Group is based on compliance with 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 notified 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 according to their skills, professional experience and individual performance and grouped by function.

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 2019, 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 GmbH, SBRS GmbH (formerly 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 help break down typical gender bias when choosing a career.

The Supervisory Board of Schaltbau Holding AG currently comprises five male members and one female member. The Schaltbau Group continues to target a sustained increase in the proportion of women on the Supervisory Board and the Executive Board as well as at lower levels of management. The Supervisory Board has set a target of 33.33% for the proportion of women on the Executive Board of Schaltbau Holding AG and 16.67% for the proportion of women on the Supervisory Board of Schaltbau Holding AG. These targets must be achieved by 30 June 2022. At 31 December 2019, the proportion of women on the Supervisory Board was 16.67% and the proportion of women on the Executive Board was 0%.

With regard to the proportion of women working in executive positions below board level, the Executive Board has set a target of 0% for managing director level and a target of 5% for middle management. These targets must be achieved by 30 June 2022. At 31 December 2019, the proportion of women at managing director level was 0% and the proportion of women at middle management level was 9%.

Dialogue with employees is required in order to promote equal opportunities within the Group. A number of Schaltbau companies conduct employee surveys and hold meetings with staff to discuss their workplace situation, including the psychological workload and their general satisfaction. 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. All of the German and some of the foreign companies within the Schaltbau Group have an employee representative body (known as a works council in Germany) to represent employee interests. Strengthening the rights of its employees will make the Schaltbau Group an even more attractive employer for skilled workers.

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

employees discounts on leisure activities. Schaltbau France S.A.S. introduced the role of a well-being manager during the year under report in order to promote employee satisfaction in general.

In the course of calendar year 2019, a Group works agreement on mobile work was concluded for all companies and operations of Schaltbau Holding AG, which is intended to offer employees more flexible working opportunities.

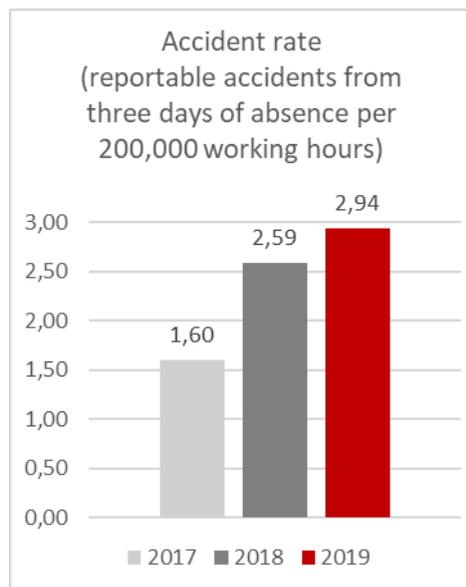
5.3. Occupational health and safety

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 to 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 various Group 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. Three of the Group's 12 manufacturing companies are certified in accordance with OHSAS 18001 or a comparable standard for occupational health and safety. Moreover, all of the Schaltbau Group's main manufacturing companies abroad have defined responsibilities and structures to ensure occupational health and safety standards.³



³ These companies are defined as those employing 100 people or more.

The key figures on reportable employee accidents were recorded on a Group-wide basis in the year under report. The accident rate was 2.94 in 2019 and 2.56 one year earlier. The change in the figure was primarily due to a sharp rise in the number of commuting accidents that occurred outside the company premises. Schaltbau Group companies work proactively on optimising their processes with the aim of further improving occupational health and safety.

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. The Schaltbau Group sees 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 school pupils 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 encourage innovative ideas at the same time.

In order to recruit first- and second-level managers for the Group, the recruitment process for the selection procedure has been improved to ensure that the right managers are selected in line with internal HR strategy. For example, a personality test is used for in-house assessment purposes.

To reduce staff fluctuation among skilled experts and management staff, but also as part of the Group's cultural transition towards becoming a more forward-looking company, an extensive personnel development programme was launched, starting with the "Schalt um" (i.e. switch) programme in 2019. The one-year coaching programme consists of five modules and specifically supports executives and potentials in their technical and personal development. By the end of the fiscal year 2019, 20 employees had participated in the programme. By 2022, more than 50% of the executives in Germany will have taken part in the programme and it is also planned to be rolled out globally.

In order to strengthen employee loyalty, a modernisation of the corporate culture is also planned as part of the digitisation process. In future, employees will be able to use an app to submit applications and receive company information in a straightforward manner. In addition, travel expense accounting and working time recording will be streamlined with a view to reducing the administrative workload.

5.5. Human rights and the supply chain

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 both child labour and forced 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, last year Schaltbau GmbH developed a Code of Conduct for its suppliers. 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 regarding 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, among other issues.

Some companies already take social and ecological criteria into account when selecting their suppliers. For example, the China-based company XI'AN Schaltbau Electric Co. Ltd. asks all its new suppliers whether they have a certified environment and occupational work and safety management system in place.

In order to comply more rigorously with its human rights-related due diligence obligations, in the year under report the Group conducted an initial rough risk analysis of the supply chain in line with the German government's National Action Plan for Business and Human Rights. The potential risk of human rights violations was determined at over 50%⁴ of the direct suppliers and initial risk-mitigating measures were defined.

No actual or potentially negative human rights violations came to our attention in the supply chain in the fiscal year 2019. There are currently no reportable 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 2019, no common targets or measures were defined at Group level in this regard.

⁴ Measured by purchasing volume in 2018

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 treatment of individual aspects is based on the topics prioritised in the selection process. The risks identified include the fields of anti-corruption (money laundering), customs law and export control, antitrust issues, data protection, product liability and CSR.

The Schaltbau Group's Code of Conduct is designed to heighten awareness of compliance issues in particular. In addition to the Code, policies are implemented with respect to 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. Regulations for each compliance field are reviewed annually with a view to changes in the law and updated after four years at the latest.

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 at Pintsch GmbH.

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 on locations in Germany, Europe, America and Asia each year. In the 2019 reporting year they focused on the Group's America-based companies. Five of a total of twenty entities were audited with respect to corruption risks as well as other issues. One entity was audited for customs and export control risks. In 2020, the audits will focus in particular on the Europe-based companies in the Schaltbau Group.

Furthermore, during the year under report, the relevant employees in all Group companies in which Schaltbau Holding AG has either a direct or an indirect majority shareholding were trained with regard to the current statutory regulations and standards governing the avoidance of money laundering.

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

No internal cases of corruption were detected in the fiscal year 2019.

As in previous years, no investigations were conducted by state institutions against the Schaltbau Group during the year under report. No fines were imposed on Schaltbau companies relating to compliance violations during the 2019 reporting year. Neither were any reportable risks identified during the year under report and separate measures to mitigate risk were therefore not necessary.

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.

UN GLOBAL COMPACT INDEX

This CSR Report also serves as a progress update as part of the Schaltbau Group's commitment to the UN Global Compact. The table refers to the text passages in which the Schaltbau Group provides information on its commitment to implementing the ten principles of the Global Compact.

Principle		Reference
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	Chapter 5.5.
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	Chapter 5.5.
LABOUR STANDARDS		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter 5.2.
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	Chapter 5.5.
Principle 5	Businesses should uphold the effective abolition of child labour.	Chapter 5.5.
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Chapter 5.2.
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	Chapter 4.
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	Chapter 4.
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Chapter 3. Chapter 4.
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter 6.