



Sustainability Report 2020

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FOREWORD BY THE EXECUTIVE BOARD

Dear Readers

After successfully completing its restructuring programme in 2019, the Schaltbau Group continued to enhance both its profile and its market position in the fiscal year 2020. In this process, the topic of sustainability is becoming increasingly important for the Group's corporate brands of Schaltbau, Bode, Pintsch and SBRS. The respective markets in which our operating subsidiaries have established themselves with their highly specific product ranges are increasingly being driven by the topics of digitisation, the mobility transition and renewable energy. These developments are also highly significant in terms of transforming the entire economy to ensure a sustainable future. With its products and services, the Schaltbau Group's business activities are promoting these developments and thereby contributing inherently to furthering a sustainable, resource-efficient economic cycle.

In this respect, we see sustainability as more than simply reporting on a framework of defined key performance indicators. With the ongoing development of budding markets such as New Energy, New Mobility and New Industry, the Schaltbau Group's sustainable components and systems are increasingly in demand for rail and road applications as well as in industrial environments. At the same time, we also see it as our mission to successively establish the culture of sustainability at all levels within the Group. We want to increasingly integrate the various dimensions of sustainability with regard to the environment, social issues and governance (ESG) within our structures and processes as we move forward.

After first comprehensively improving our environmental indicators, we continued to work on the key performance indicators during the year under report. Particularly in our efforts to accurately record greenhouse gas emissions, we identified additional indicators and also sharpened existing definitions. The major topic of safety in our various end markets has taken on a further pivotal role and the Schaltbau Group's operations are geared to respond accordingly. Safety is a key aspect firmly integrated at various levels of all our operating segments, whether as a standard, a regulation, or the perception of safety that passengers have when travelling by rail or road in our end markets.

The high social relevance of safe, convenient, eco-friendly mobility for our business model is also evident in the sustainable nature of our own value and supply chains. We took this aspect into account when safeguarding and stabilising our supply chains in the wake of the COVID-19 pandemic during the past fiscal year. In this regard, respect for human rights is just as much a part of our corporate philosophy as the avoidance of conflict materials. Moreover, we are progressively making our products more sustainable. For example, we have successfully concluded relevant research work on the use of renewable raw materials in rail carriage doors at Bode. The next step now is to investigate how to further industrialise this concept. As part of its COVID-19 action plan, Schaltbau GmbH has systematically expanded its marketing and customer communication efforts in the fledgling markets of New Energy and New Mobility by focusing on eco-friendly, digital formats. We see our investments in sustainability as a specific investment in the future of the Schaltbau Group, its employees, society as a whole and future generations.

With the aim of documenting this corporate image for the outside world to see, since the fiscal year 2019 Schaltbau Holding AG has participated in the UN Global Compact initiative, the world's largest and most important organisation for promoting responsible corporate governance, which is under the auspices of the United Nations. We have therefore undertaken to rigorously conduct our business relationships and our non-financial reporting in accordance with internationally acknowledged sustainability standards. 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.

With this voluntary commitment and the corresponding dedication, Schaltbau Holding AG is specifically assuming long-term responsibility for sustainability and contributing to a just and sustainable economic order for the future.

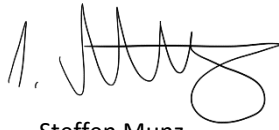
This Sustainability Report documents the progress Schaltbau has made over the past year in terms of sustainable corporate development. It also describes the measures Schaltbau has already initiated to ensure these standards

are upheld over the coming months and years. Throughout the current year and beyond, we will continue to adapt our reporting to meet your informational needs in accordance with the regulatory framework.

25 March 2021



Dr Jürgen Brandes
Chairman of the
Executive Board, CEO



Steffen Munz
Chief Financial
Officer



Volker Kregelin
Member of the Executive Board

ABOUT THIS REPORT

Contents of the report

With this CSR Report, the Schaltbau Group wants to illustrate the progress it has made in terms of sustainability over the last 12 months. At the same time, the Group is meeting its responsibility to draw up a separate non-financial Group report pursuant to sections 315b and 315c and in conjunction with sections 289c to 289e of the German Commercial Code (HGB). The non-financial Group report for 2020 is part of this CSR Report 2020, which the Schaltbau Group has again based on the principles of the German Sustainability Code (GSC). The report is also based on the requirements of the Global Reporting Initiative (GRI standards). It also serves as a progress update to underline 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 34.

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 the table on page 103 of the Schaltbau Holding AG Annual Report 2020. Schaltbau India Pvt. Ltd., New Delhi, India is included for the first time this year. Changes in the group reporting entity can also cause major differences to the previous year's figures in some cases.

The CSR Report 2020 relates to the fiscal year 2020 and covers the period from 1 January to 31 December 2020.

Editorial information

The CSR Report 2020 is available in both German and English. Both versions are provided on the Schaltbau Group's website at: www.schaltbaugroup.com.

1. COMPANY PROFILE

1.1. Business model, range of products and services

The Schaltbau Group with its products, systems and solutions is primarily a supplier to the railway industry. Moreover, with its components for DC applications it is also opening up new business opportunities in the automotive and capital goods industries. Under the slogan "Safety and Availability through Electromechanical Systems", the Schaltbau Group leverages its technological expertise to explore market potential wherever direct current is used to generate, transmit or store electrical energy.

The Schaltbau Group's four segments primarily address the following market segments:

- *Pintsch*: Manufactures electrical equipment for rail infrastructure applications
- *Bode*: Manufactures door and boarding systems for rolling stock, buses and road vehicles
- *Schaltbau*: Manufactures electromechanical components for rolling stock, industrial equipment and automotive applications
- *SBRS*: Refurbishes rolling stock and installs high-performance charging infrastructures

The Schaltbau Group is among the world's leading suppliers of smart door and boarding systems made by Bode and electromechanical components made by Schaltbau.

The value creation structure of most Schaltbau product lines is defined by a pronounced level of vertical integration and a high volume of in-house production. When implementing projects, on the other hand, Schaltbau makes extensive use of bought-in components and contractual services.

The various companies in the Schaltbau Group operate a network of 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, 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 chapter "Schaltbau Group Profile" in the Group Management Report section of the current Annual Report.

1.2. Organisational structure

Schaltbau Holding AG is the parent company of the Group's four segments. The company is listed in the Prime Standard segment of the Frankfurt Stock Exchange and admitted to the regulated market of the Munich Stock Exchange.

As parent company, Schaltbau Holding AG is responsible for managing and defining the strategy of the Schaltbau Group. It fulfils this responsibility by ensuring that the corporate strategy it has developed is efficiently implemented, which requires setting clear targets and allocating capital to each of the Group's four segments. In regular review meetings with its managing directors and other key employees, the Executive Board monitors the key financial and non-financial indicators to determine the progress of internal projects and assesses the opportunities and risks for both upcoming major contracts and those already completed. The Executive Board also appoints the managing directors of Group companies.

It also undertakes Group-wide duties such as providing the systems for standardised financial management throughout the organisation, Group accounting and controlling, cash management, investor relations, corporate communications and the legal department. Finally, it is also responsible for the Corporate Governance functions, including Compliance, Auditing, Risk Management and Corporate Social Responsibility.

Since the fiscal year 2020, the Schaltbau Group has been divided into four operating segments:

1. The Pintsch segment comprises the activities of Pintsch GmbH, Dinslaken, and its subsidiaries in the field of technical infrastructure for railway transportation systems. Pintsch is a supplier to 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 level crossing safety technologies, axle counting systems and interlocking technology.
2. The Bode segment comprises Gebr. Bode GmbH & Co. KG, Kassel, and its subsidiaries. The most important subsidiaries, which are managed by Gebr. Bode & Co. Beteiligungs GmbH based in Kassel, are RFWW RAWAG Sp. z o.o. in Rawicz, Poland, and the BODO Bode Dogrusan A.S. joint venture in Kestel/Bursa, Turkey ("Bode Group").

The Bode Group supplies door and boarding systems for trains, buses and commercial vehicles as well as interior fittings for rolling stock. Its range of goods and services includes the development, manufacturing, installation and commissioning of its products at vehicle manufacturers. The Bode express workshop provides the operators of these vehicles with complete life cycle support, including readily available spare parts packages, maintenance personnel and digitally supported aftersales service.

The "Rail Door Systems" product group comprises fully integrated systems fitted with innovative safety technology and boarding systems for trams, metros, suburban and regional trains as well as high-speed intercity trains. Its range of products makes the Bode Group one of the most important manufacturers of its kind in Europe. Bode is well positioned 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 Bode Group is a leading supplier in Europe and integrated in many of the platforms of major manufacturers. The "Automotive" product group comprises sliding doors with guide systems for box bodies as fitted, for example, in the commercial vehicles of courier, express and parcel services.

The Bode Group covers the entire value chain in the field of door and boarding systems. Group entities with their own production facilities in Poland, Turkey, the USA, China and the UK as well as sales activities in South Korea ensure direct market access in each of these regions. The Poland-based subsidiary "Rawag" and the Bode plant in Kassel, Germany, form an increasingly close-knit production network.

3. The Schaltbau segment comprises Schaltbau GmbH, Munich, and its subsidiaries. Schaltbau GmbH develops, manufactures and sells electromechanical components such as contactors, connectors, snap-action switches and switching systems for rolling stock as well as a broad range of industrial applications. The Italian subsidiary SPII S.p.A., Saronno, Italy, is a globally leading systems supplier of master controllers and driver's desk equipment for rolling stock.

In addition to its German sites in Munich, Velden and Aldersbach, the Schaltbau GmbH Group is represented internationally by its subsidiary SPII S.p.A. in Italy as well as nine other subsidiaries, two representative offices and over 60 sales partners. Schaltbau also operates large-scale production plants, such as in Xi'an (China), where Xi'an Schaltbau Electric Corporation Ltd. manufactures and distributes railway components for the Chinese market.

4. The SBRS segment comprises the business activities of SBRS GmbH, which implements customer-specific projects in the field of rolling stock refurbishment as well as turnkey projects for installing high-performance charging systems for commercial vehicles, particularly electric buses.

The only essential difference between the new segment structure in use since 2020 and that previously established is the change in the names of the segments, which now emphasise the corporate brands established in the market: "Pintsch" was previously known as "Stationary Transportation Technology" and "Bode" (together with "SBRS") was formerly the "Mobile Transportation Technology" segment. The former "Components" segment is now named after the core brand "Schaltbau".

Moreover, "SBRs" (Schaltbau Refurbishment and Services) has now been named as the fourth segment, in order to take more specific account of the special business model of this subsidiary in terms of customer-specific applications. The business activities of SBRs were previously part of the former "Mobile Transportation Technology" segment.

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. 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

External expectations regarding corporate sustainability, including those of Schaltbau, have undergone significant changes in recent years. For this reason, in 2020 Schaltbau thoroughly revised its previous materiality analysis from the year 2017. The revision was designed to address changes in external requirements and integrate them in the Schaltbau Group's CSR strategy and reporting processes. In the course of the revision, the Group paid particular attention to the requirements of investors and customers, as well as to considering social and regulatory trends, such as the heightened emphasis on the issues of climate change and human rights.

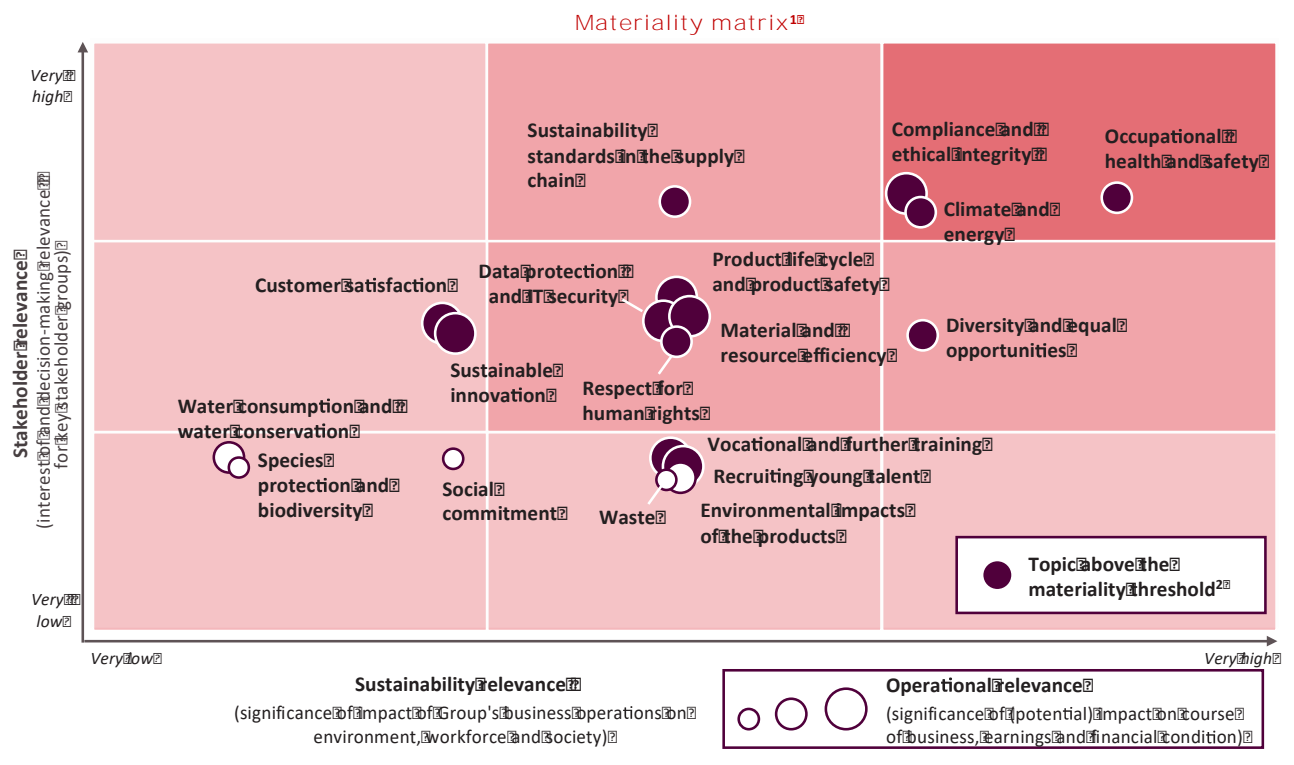
In an initial step, an environment analysis was conducted in order to accurately collect potentially relevant topics in a long list. The environment analysis took publications and enquiries from investors and political and regulatory trends into account as well as competitors' commitment to sustainability. Firstly, the topics on the long list were sorted by content and condensed as deemed appropriate; individual topics that were obviously of little relevance to the Schaltbau Group's value chain were then removed.

Secondly, the remaining topics were prioritised and assessed according to three dimensions:

- Operational relevance (significance of the potential impact on the course of business, earnings and financial condition)
- Sustainability relevance (significance of the impact of the Group's business operations on the environment, the workforce and society)
- Stakeholder relevance (the interests of and the decision-making relevance for major stakeholder groups)

Following these topic-related assessments, a materiality threshold was defined in order to focus on material topics. Topics considered material were those of high or very high relevance in at least one of the three dimensions, and/or very high relevance for at least one of the stakeholder groups.

The materiality analysis, the results of which are presented in the following matrix, therefore meets the legal requirements of CSR-RUG pursuant to section 289c (3) of the German Commercial Code (HGB) and, by taking the stakeholder perspective into account, the requirements of the GSC. Representatives of the management teams of the various Schaltbau companies, the Executive Board of the Schaltbau Group and external experts were involved in the assessment and validation process.



¹The graphical representation of the topics in the matrix differs slightly from the numerical values in some places to ensure readability.

²A topic is above the defined materiality threshold if it has a high or very high relevance in at least one of the three dimensions or it has a very high relevance for at least one of the stakeholder groups.

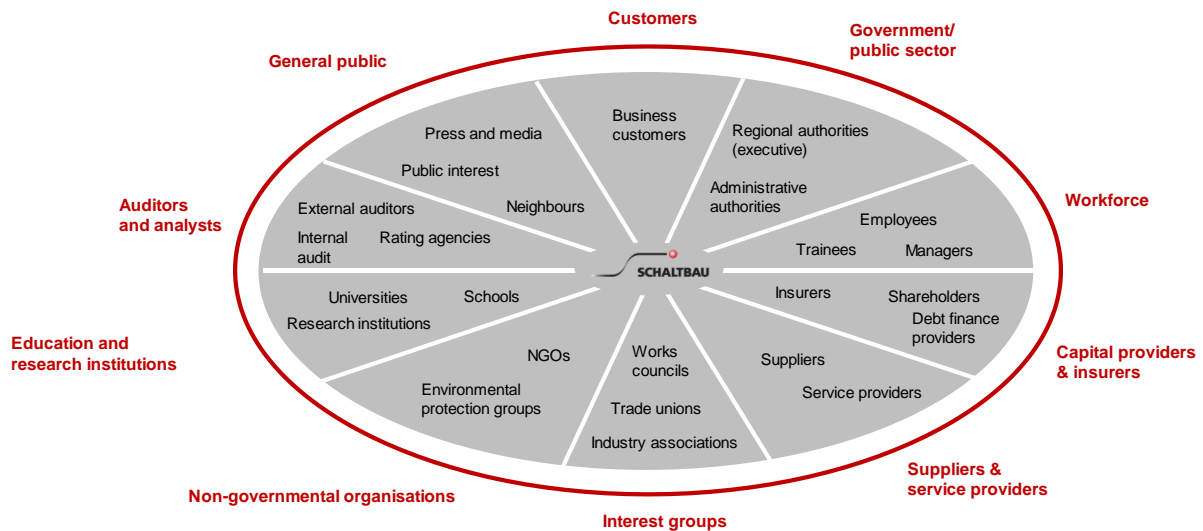
The new materiality analysis identifies compliance and ethical integrity, climate and energy, and occupational health and safety as particularly high-priority topics.

The CSR topics analysed and identified in the materiality analysis cover all the aspects required by CSR-RUG and are addressed in chapters 3 to 6 of this report, which also deal with the respective concepts, results, reportable risks and key performance indicators. The CSR-relevant risks discussed in the Management Report 2020, 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. Schaltbau has not yet defined control-relevant, non-financial performance indicators.

ASPECT PURSUANT TO CSR-RUG	TOPIC	REFERENCE/CHAPTER
Combatting corruption and bribery	Compliance and ethical integrity	6. Compliance
Employee issues	Occupational health and safety	5.3. Occupational health and safety
	Diversity and equal opportunities	5.2. Employee rights and equal opportunities
	Vocational and further training	5.4. Recruitment, vocational and further training
	Recruiting young talent	5.1. Employment trends 5.4. Recruitment, vocational and further training
Environmental issues	Climate and energy	4.1.2 Energy and environmental management 4.2. Climate-relevant emissions 4.1.3 Resource-efficient and eco-friendly products
	Material and resource efficiency	4.1.1 Conserving resources 4.1.3 Resource-efficient and eco-friendly products
	Sustainable innovation	4.1.3 Resource-efficient and eco-friendly products 3.2 Sustainable innovation
Human rights	Upholding human rights	5.5. Human rights and the supply chain
Human rights/environmental issues/social issues	Sustainability standards in the supply chain	5.5. Human rights and the supply chain
Other	Product life cycle and product safety	4.1.3 Resource-efficient and eco-friendly products 3.1. Customer satisfaction, product life cycle and product safety
	Data protection and IT security	6.2. Data protection and IT security
	Customer satisfaction	3.1. Customer satisfaction, product life cycle and product safety

2.2. Stakeholder dialogue and CSR rating

In addition to the materiality analysis, the Schaltbau Group's management also sees it as important 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:

- 4.1.1 The corporate website, including a dedicated "Investor Relations" section
- 4.1.2 The EcoVadis CSR rating
- 4.1.3 The CSR Report
- 4.1.4 Regular conversations with media representatives and capital market participants
- 4.1.5 Employee surveys and employee information events
- 4.1.6 Various committee and association meetings
- 4.1.7 Research cooperations with universities

Apart from these mechanisms, individual Group companies implement further initiatives. For example, Xi'an Schaltbau Electric Co. Ltd. has introduced a formalised stakeholder management system in which the expectations of internal and external stakeholders with regard to Schaltbau are regularly identified and analysed.

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 underlying the rating is based on internationally acknowledged CSR standards, including the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC) and ISO 26000. After the first Group-wide rating was conducted by EcoVadis in the fiscal year 2017, in which the Schaltbau Group achieved bronze status with 45 points, it further improved its score to

gain silver status in the fiscal year 2019. In 2020, Schaltbau scored a slightly higher number of points to retain its silver status. In 2021, 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 will 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.

Based on the results of the first materiality analysis and the legal requirements of CSR-RUG, in 2017 the first CSR strategy was developed, including a detailed package of measures, which comprises targets, KPIs and responsibilities and has formed the basis for CSR activities in recent years.

Since then, the CSR strategy has pursued the overarching aim of continuously improving the competitiveness of the Schaltbau Group in strict compliance with internationally recognised ethical and legal principles, taking market requirements duly into account.

The main focal points of the CSR strategy are:

- 4.1.8 Legal compliance: The Schaltbau Group acts strictly in accordance with legal requirements and rigorously pursues compliance management.
- 4.1.9 EcoVadis CSR rating: The Schaltbau Group aspires to maintain the silver status achieved in the most recent Group-wide EcoVadis CSR rating and continue improving its performance. The rating certifies that the Schaltbau Group's business activities comply with internationally acknowledged CSR standards.
- 4.1.10 Transparency: The Schaltbau Group maintains an open dialogue with its stakeholders and regularly reports on CSR activities.
- 4.1.11 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.

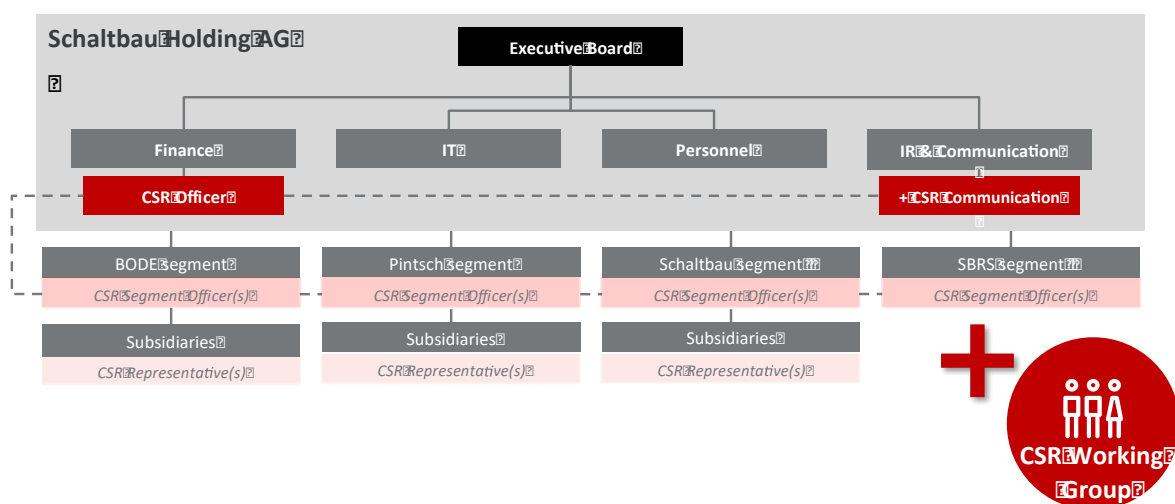
In order to achieve these strategic goals, in 2017 and 2018, CSR management concentrated on compiling quantitative environmental indicators and further professionalising its reporting processes. From the year 2019 there was an increasing focus on CSR-related issues. In 2019, CSR management conducted an initial review of the two issues "sustainable supply chain and human rights" and "climate management". In 2020, the topic of climate management was further addressed and is now included in the CSR report for the first time with a carbon footprint assessment (see page 22). A further focus in 2020 was the above-mentioned complete revision of the materiality analysis.

The updated materiality analysis for 2020 shows that the CSR priorities pursued to date continue to be valid, but that certain topics need to be given even greater attention going forward. These include, for instance, working conditions in the Group's supply chains and our efforts to decarbonise the value chain. In this report, we are increasingly addressing the topics prioritised in the revised version of the materiality analysis, thereby also laying the foundation for the transparency and accountability of our further efforts to ensure sustainability. On this basis, we will then also conduct a review of the appropriateness of previous targets, measures and KPIs in 2021.

In addition to the strategic work undertaken to date, it should also be mentioned that Schaltbau has been a signatory of the United Nations Global Compact (UNGC) since 2019 and is therefore committed to ten internationally recognised principles of corporate responsibility. These principles fall into the categories of human rights, labour standards, environment and climate, and corruption prevention, all of which have already been taken into account in the new materiality analysis. For the first time, this CSR report also includes a progress report in accordance with UNGC requirements (for further information, see page 34).

2.4. CSR organisation and responsibility

The following chart shows the current CSR organisational structure, based on the CSR strategy and the requirements of CSR reporting. Apart from the CSR Officer at holding company level, each subsidiary has a CSR representative and each segment a CSR segment officer. There is also a CSR working group, which works on further developing CSR management in regular meetings and discussions and consists of the CSR Officer and the CSR representatives.



The CSR reporting process is structured hierarchically from the subsidiaries via the Group 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 report-

ing year, these performance indicators were expanded to include the compilation of a carbon footprint assessment. In 2019, a Group-wide CSR corporate policy was also introduced. In addition, the Schaltbau Group's Code of Conduct, which was revised in 2020, is designed to ensure 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 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 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>. For further information, please also see the "Other Disclosures" section of the Group Management Report under "Compensation of the Executive Board and Supervisory Board (Compensation Report)".

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

3.1. Customer satisfaction, product life cycle and product safety

ORGANISATION, POLICIES AND PROCESSES | AIMS

The Schaltbau Group aims to guarantee a high level of product safety, quality and durability. 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. Therefore, 98% of the Schaltbau Group's employees work in accordance with certified quality standards. In the course of the certification process, the companies are required to provide information on their targets, including timeframes and the level of target achievement.

The management teams of the Germany-based companies that operate production sites are formally involved in environmental, product and quality management and regularly informed by those responsible about product and development planning and the management of environmental impacts.

MEASURES

Extending the life cycle of products is part of the core business of SBRS GmbH, which specialises in maintaining and refurbishing trains. An extended life cycle ultimately leads to less waste and a reduced use of natural 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.

To ensure outstanding quality and high safety standards, the Group's products are subject to strict quality and defect management procedures. For this reason, customers are also sometimes involved in quality management when conducting audits. Quality management measures resulting from these internal or external audits are monitored by the quality department and checked for effectiveness.

RESULTS

Group-wide performance indicators in the fields of quality management and customer satisfaction are not currently being recorded. However, at the companies Pintsch GmbH, Schaltbau GmbH, SBRS GmbH, Schaltbau India Pvt. Ltd. and Xi'an Schaltbau Electric Co. Ltd. a comprehensive range of performance indicators is already being implemented, including supplier and production quality, the product defect rate, failure costs, warranty costs and repair costs. Some of these companies have also set themselves specific quality targets.

RISKS

The main risks that can arise in connection with customer interests and product management are development and design risks as well as warranty risks, which are described in detail in the Risk Report within the combined Management Report for Schaltbau Holding AG and the Group for 2020.

3.2. Sustainable innovation

ORGANISATION, POLICIES AND PROCESSES | AIMS

The Schaltbau Group aims to ensure a high level of product safety and quality and continually supplements its range of products and services 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, creating sustainable added value for its customers at the same time.

Generally, the R&D departments of the various Group subsidiaries are responsible for product development and innovation. Resource efficiency is already taken into account at this point: modular product designs make it easier to replace defective components during the use phase and thus extend the life cycle of the products. The Group's sales companies are frequently in close contact with the R&D departments, providing customer feedback and information on market requirements.

The Schaltbau GmbH Group plans to expand its business to include the fields of new energy, e-mobility and the DC industry, i.e. DC applications for industrial use. A major focus of further development was again contactors for safety-oriented DC applications during the year under report. 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.

MEASURES | RESULTS

The various Schaltbau Group companies are involved in a variety of innovation and product development projects.

For example, SBRS GmbH has boosted the efficiency of its charging stations for e-buses by 2% by utilising silicon carbide semiconductors in a charging device installed at a bus depot. With 200 buses in operation, the operator reduces its costs by a six-figure sum each year. This is one of the reasons why SBRS GmbH was named TOP 100 Innovator by compamedia in the fiscal year 2020.

In 2019, 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 interval-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 life cycle. 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. Based on the positive feedback from the first customer project, this project made additional progress in 2020 and is now available as a generic platform for projects in both the road and the rail sectors. Follow-up projects are currently ongoing with both OEMs and vehicle operators regarding the use of CBM algorithms.

For several years now, technologies and materials in the field of lightweight design have been researched as part of a collaborative project and lightweight doors 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 doors can also potentially reduce the amount of energy required to heat railway carriages. The project was successfully concluded in 2020. The aims of the project were fully achieved in terms of developing sustainable structural components for boarding systems in rolling stock applications. The next step is to develop a concept for implementation in a semi-automated production line.

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. For this reason, from 2021, Dutch Railways has decided to replace all the signals it currently deploys throughout the Netherlands with new products made by Pintsch GmbH.

RISKS

The main risks that can arise in relation to sustainable innovation are development and design risks, particularly those associated with the introduction of new products, and warranty risks. These are described in detail in the Risk Report within the combined Management Report for Schaltbau Holding AG and the Group for 2020.

4. ENVIRONMENT

4.1. Resource-efficient management

4.1.1 Conserving resources

ORGANISATION, POLICIES AND PROCESSES

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 places great emphasis on 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.

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.

MEASURES | RESULTS

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. Moreover, Schaltbau companies take active steps to minimise emissions and protect the environment when developing their products, as described under 4.1.3 and 4.2.

Any wastes generated during production are either recycled or properly disposed of in an eco-friendly 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. 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. The Schaltbau Group's main manufacturing companies outside Germany also take various measures to improve waste recycling rates and minimise disposal.

Schaltbau Group companies also deploy raw materials in a resource-friendly, efficient manner in all their production processes. The Schaltbau Group is committed to the use of 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.

TARGETS

There are currently no Group-wide targets in place regarding resource conservation, as that is already done at subsidiary level. For example, SBRS GmbH already defined initial targets in 2017. In the fiscal year 2020, the targets for reducing paper consumption were fully achieved, and waste was also systematically sorted.

4.1.2 Energy and environmental management

ORGANISATION, POLICIES AND PROCESSES

Seven of the Schaltbau Group's 13 manufacturing companies have in place an environmental management system certified in accordance with ISO 14001 (equivalent to a coverage of 41% of employees), within which a corporate environmental policy, environmental goals and an environmental programme have been defined. These certifications are subject to regular reviews, thereby creating incentives for a continuous improvement process.

TARGETS | MEASURES

SBRS GmbH already defined its specific targets in the 2017 reporting year. These relate primarily to electricity consumption, the reduction targets of which were fully achieved in the fiscal year 2020. To the extent possible, returnable packaging is used, e.g. in collaboration with customers such as Stadler and Bombardier.

For several years now, Schaltbau GmbH has also regularly set itself qualitative reduction targets for its various production sites and office buildings. Schaltbau India Pvt. Ltd. is currently analysing its consumption figures and intends to define reduction targets going forward.

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.

For example, in response to a recommendation from the last energy audit, Pintsch GmbH completely converted its lighting to LED during the conversion and refitting of a production building. Four other German and international Group companies have also converted their lighting systems to LED technology.

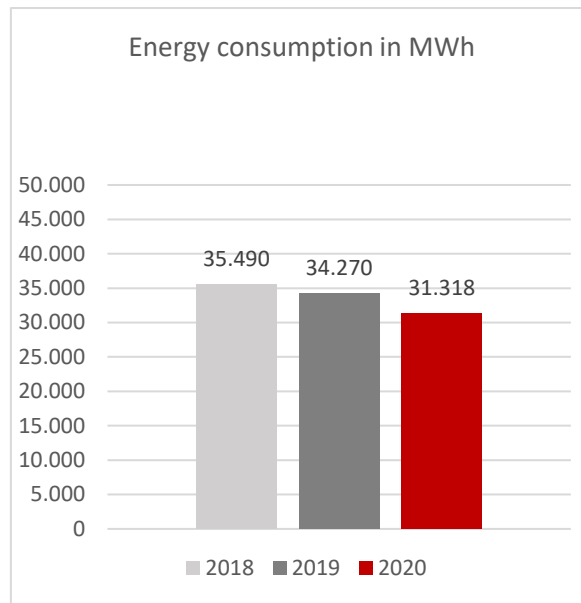
Further examples of measures taken to reduce energy consumption in office buildings and production facilities within the Schaltbau Group firstly include changes in everyday working life, such as switching off lights and PCs after finishing work each day. Secondly, the Group is successively replacing its existing IT equipment with more energy-efficient devices and conventional servers are making way for virtual versions. Electrical switchboards, for example, are being equipped with energy-saving switches and control technology and oil-fired heaters replaced with natural gas heaters or connections to district heating systems.

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, in 2018, a Group-wide data collection system was established to record energy consumption. In 2019 and 2020, the data collection system was further expanded to enable the Group to calculate its carbon footprint. Moreover, several of the Schaltbau Group's foreign companies actively monitor their electricity, gas and water consumption throughout the year.

RESULT

In the year under report, the Schaltbau Group required a total of 31,318 MWh. At just under 40%, electricity consumption accounted for the majority of total energy usage. The following overview provides information on energy consumption¹:

¹ The 2019 figure was slightly adjusted retrospectively due to corrections in the database.



Apart from the measures taken to reduce energy consumption and the merging of the two Pintsch GmbH sites in Dinslaken, the outbreak of the corona pandemic contributed significantly to the overall decrease in energy consumption in the past fiscal year. Moreover, fuel consumption fell by more than 20% due to a significant reduction in travel and the increased number of employees working from home.

4.1.3 Resource-efficient and eco-friendly products

ORGANISATION, POLICIES AND PROCESSES

The Schaltbau Group fosters long-term customer relationships and manufactures railway-related products that generally have a life cycle of at least 30 years. The R&D departments of the various Group subsidiaries are responsible for product development and innovation. Resource efficiency is already taken into account at this point: modular product designs make it easier to replace defective components during the use phase and thus extend the life cycle of the products.

For more information on sustainable product innovation, please see chapter 3.2.

MEASURES | RESULTS | AIMS

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. By promoting the use of electrically powered railway and bus systems, the Schaltbau Group is making a significant contribution to decarbonising the atmosphere.

For instance, with its DC-based, high-performance, fast-charging stations SBRS GmbH is fostering the transition to e-bus fleets in environmentally conscious cities, towns and municipalities. Schaltbau is also helping promote sustainable waterborne public transport by charging the new electric ferries operated by the Kiel Tug and Ferry Company (SFK). SBRS GmbH has installed a CO₂ counter on its website, which shows the number of tonnes of CO₂ that the charging stations installed by Schaltbau E-Mobility have saved compared to diesel-powered public buses (for further information, go to: <http://www.schaltbau-refurbishment.de/>).

For this reason, the Association of German Transport Companies (VDV) has nominated SBRS GmbH for the German Environmental Award for its innovative products that help protect the environment.

There are currently no Group-wide targets in place regarding resource-efficient, eco-friendly products.

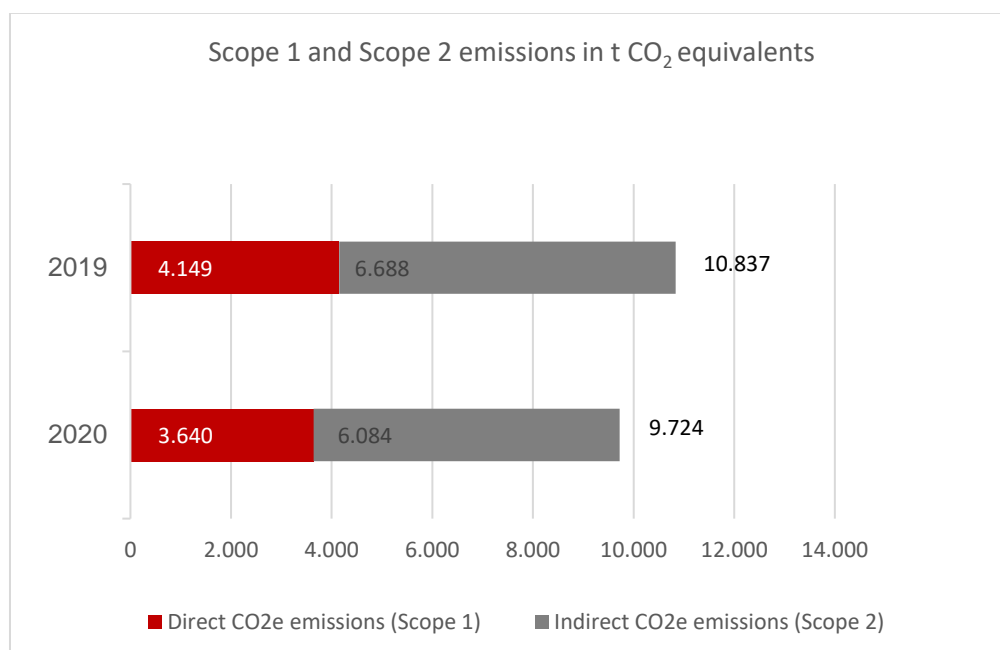
4.2. Climate-relevant emissions

ORGANISATION, POLICIES AND PROCESSES

During the year under report, Schaltbau continued to build on the basic work it performed in terms of climate management in 2019, which included the strategic and operational handling of the challenges of climate change. In future, the Schaltbau Group also intends to address other aspects of climate management, such as further decarbonising its own production sites and mitigating climate-related risks in the upstream value chain.

AIMS | RESULTS

During the year under report, the Schaltbau Group collected the data required to calculate its carbon footprint for the second time in succession. This carbon footprint assessment², which covers the direct (Scope 1) and indirect carbon emissions (Scope 2) on a Group-wide basis, is being published for the first time in this year's Sustainability Report, enabling the Schaltbau Group to achieve one of the main goals it set itself in the previous year.



Greenhouse gas emissions (Scope 1 and 2) amounted to 9,724 tonnes of CO₂ equivalents in the year under report (2019: 10,837 tonnes). The main sources of emissions within the Schaltbau Group are electricity, natural gas and heating oil in stationary facilities. The majority of the emissions are generated by Group companies based in Germany and its location in Poland.

The lower level of Scope 1 emissions is primarily due to the reduced need for natural gas, heating oil, petrol and diesel as a result of the corona pandemic. The reason for the slight reduction in Scope 2 emissions is firstly also a pandemic-related decrease in electricity consumption and secondly a switch to lower-emission electricity tariffs.

² Scope 1: emissions caused by direct energy consumption in buildings, fuel consumption, inert gas consumption and refrigerant losses.

Scope 2: emissions caused by the consumption of electricity, district heating and district cooling. The emissions generated by the use of bought-in electricity are calculated via the market-based method.

The CO₂ emissions data were collected in accordance with the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol.

Total emissions according to the location-based method: 11,464 t CO₂e (2019: 12,291 t CO₂e)

MEASURES

In collaboration with SBRS GmbH, Pintsch GmbH is planning to add to the meanwhile four charging stations already installed for electric vehicles on its staff parking area. A charging station for electrically powered company vehicles has also been installed at Gebr. Bode GmbH & Co. KG. A further six charging stations for company vehicles are scheduled for installation in 2021 and ten more for employees' vehicles are planned for the staff parking area.

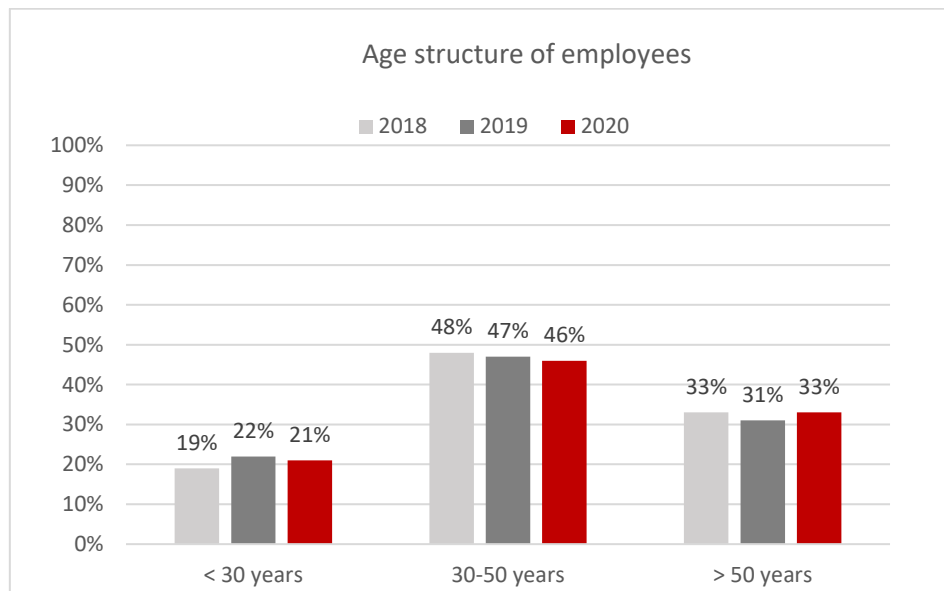
The Schaltbau Group revised its company vehicle policy during the fiscal year and is particularly supporting the selection of electric vehicles for company use. Schaltbau GmbH added two electric vehicles to its fleet during the year under report.

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 encouraging car sharing. 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.

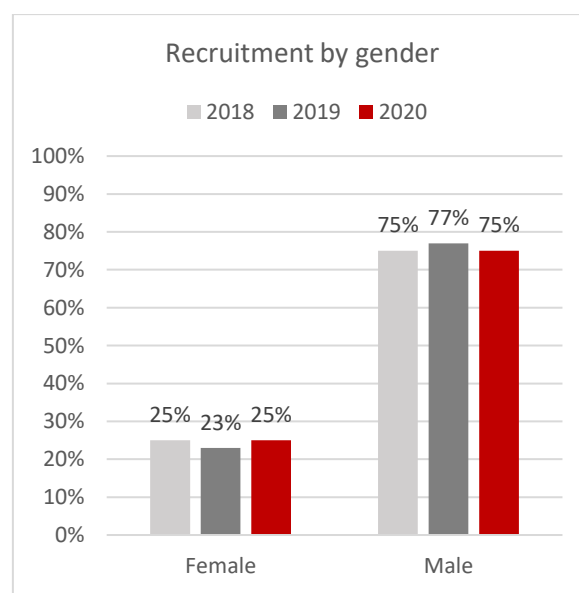
5. EMPLOYEES AND COMPANY

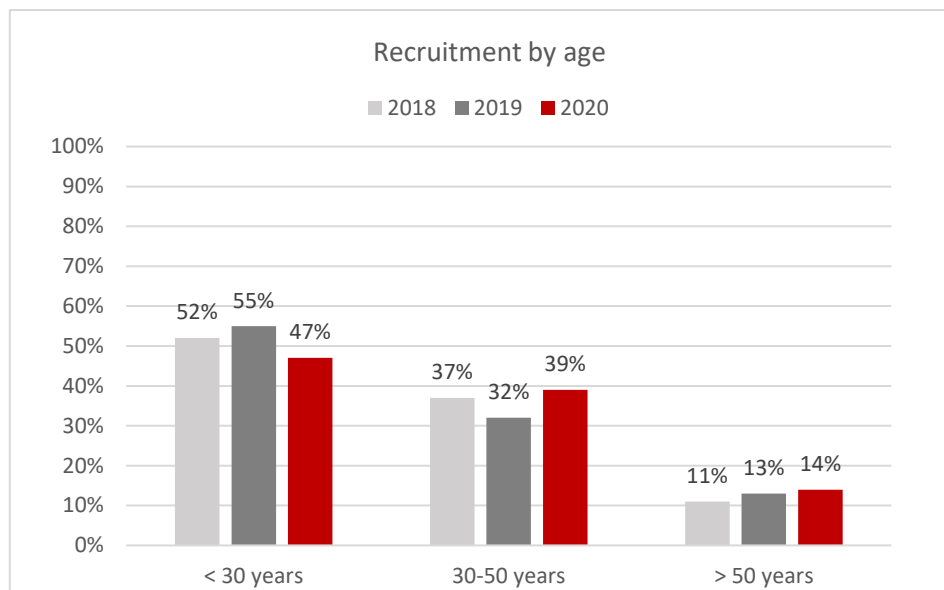
5.1. Employment trends

At 31 December 2020, the Schaltbau Group employed 2,916 people, the majority of whom were between 30 and 50 years old. The main employee-related topics include the recruitment of junior staff, vocational training and further training opportunities, occupational health and safety, and equal opportunities.



In the year under report, the majority of people recruited were under 30 years of age (47%), followed by 30-50 year olds (39%) and over 50 year olds (14%). The proportion of women among newly recruited staff rose slightly from 23% to 25%.





Employee fluctuation in the year under report was 10.4% and therefore some 2% lower than the previous year's level. The figure also takes short-term, fixed-term employment contracts into account.

RISKS FROM EMPLOYEE ISSUES

The Schaltbau Group attempts to minimise risks relating to employee issues 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 Schaltbau Holding AG and the Group for 2020. Risks particularly relevant to CSR-RUG are largely of a labour law-related nature.

5.2. Employee rights and equal opportunities

ORGANISATION, POLICIES AND PROCESSES

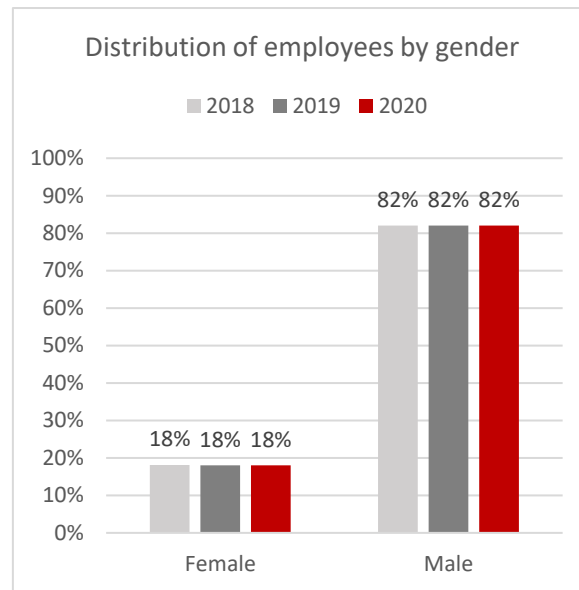
The Schaltbau Group's corporate philosophy is primarily based on compliance with the German General Equal Treatment Act (AGG). All employees are treated equally in terms of recruitment criteria, pay, and development opportunities, regardless of gender, origin or religion. No incidents of discrimination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

The Schaltbau Group's remuneration system is performance-oriented and clearly structured, with the aim of being accountable 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.

MEASURES | RESULTS | TARGETS

At 31 December 2020, the proportion of female employees was around 18%, similar to the previous year. The 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. By taking part in community initiatives, the Group is trying to get more women interested in taking up a technical profession.



In collaboration with Pintsch GmbH, SBRS 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. In 2020, however, all activities relating to open days such as Girls' Day and Boys' Day had to be suspended for the time being due to the corona pandemic. Recruitment days will be continued again as soon as the situation allows.

At 31 December 2020, the Supervisory Board of Schaltbau Holding AG comprised 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 2020, the proportion of women on the Supervisory Board was 16.67% and the Executive Board consisted entirely of men.

With regard to the proportion of women working in executive positions below board level, the Executive Board has set a target of 10% for managing director level and 10% for middle management. These targets must be achieved by 30 June 2022. At 31 December 2020, the proportion of women at managing director level was 9% and at middle management level 10%.

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.

EMPLOYEE RIGHTS AND PARTICIPATION

In accordance with the Code of Conduct, the participation of employees in the company and its 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.

At all Schaltbau Group companies based in Germany, employees can benefit from flexible working time models, holiday pay, a Christmas bonus, a food allowance and a company pension scheme. The Group's Germany-based companies also offer their employees a variety of health-promoting services.

A Group works agreement on mobile work concluded in the course of calendar year 2019 for all companies and operations of Schaltbau Holding AG, which was originally intended to offer employees more flexible working opportunities, was given a broader interpretation in view of the corona pandemic with the aim of protecting the workforce to the greatest possible extent.

5.3. Occupational health and safety

ORGANISATION, POLICIES AND PROCESSES

The Schaltbau Group gives the health and safety of its employees the highest 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 its work processes.

A coordination office for occupational health and safety has been implemented at the level of Schaltbau Holding AG, which centrally manages the duties and activities relating to occupational health and safety and coordinates them between the Group subsidiaries.

The heads of department in the Schaltbau Group's various subsidiaries are responsible for permanently monitoring compliance with the relevant internal and external regulations on the environment, occupational health and safety, and product safety. The management teams of Schaltbau Group companies based in Germany are responsible for providing sufficient resources to ensure 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 minimising the number of emergency situations and ensuring suitable precautions if emergencies were to occur. 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.

Three of the Group's 13 manufacturing companies are certified in accordance with OHSAS 18001 / ISO 45001 or a comparable standard for occupational health and safety. Moreover, all of the Schaltbau Group's main manufacturing companies located outside Germany have defined responsibilities and structures in place to ensure occupational health and safety standards.³

TARGETS | MEASURES

All Group companies provide training on the topic of occupational work and safety at regular intervals. Nonetheless, should an accident occur at work, the workplace will be inspected and appropriate measures undertaken. In the event of a serious accident, the company management will be alerted.

Setting specific targets and monitoring KPIs during the year, such as the injury rate, are carried out at subsidiary level. For example, Gebr. Bode GmbH & Co. KG introduced the "Bode Vision Zero" concept with the aim of reducing the number of work-related accidents to zero during the year under report. The measures taken for this purpose will be implemented as from 2021.

Against the backdrop of the corona pandemic, in the fiscal year 2020 Schaltbau Holding AG issued a pandemic policy that applies to all majority-owned Germany-based subsidiaries. In a step-by-step plan, measures and conduct are specified with the aim of minimising negative impacts on the health of employees in the event of any such incidents.

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

In the field of occupational health and safety management, the German subsidiaries cooperate with health insurance companies and other organisations to provide employees with the best possible service.

RESULTS

The key figures on reportable employee accidents were recorded on a Group-wide basis in the year under report. The injury rate was 2.25 in 2020 and 3.04⁴ one year earlier. While the total number of working hours in 2020 decreased slightly compared to the previous year due to the pandemic, the number of work-related accidents dropped significantly. Schaltbau Group companies work proactively on optimising their processes with the aim of further improving their occupational health and safety record.



5.4. Recruitment, vocational and further training

ORGANISATION, POLICIES AND PROCESSES

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 offers of this nature as an important investment in the future of the enterprise.

A new personnel development programme was adopted during the year under report. Although the programme had to be postponed in 2020 due to the corona pandemic, it is scheduled for implementation in 2021. Moreover, it will in future be possible to make training programmes available to all employees throughout the Group and to monitor their use.

MEASURES

In addition to the further training of employees through a wide range of courses, most Group companies in Germany offer school leavers a variety of vocational training options and dual courses of study.

⁴ The injury rate figure from 2019 was slightly adjusted retrospectively due to corrections in the database.

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. The vocational training catalogue was also updated and the number of different apprenticeships increased during the fiscal year under report. In order to provide apprentices with ideal vocational training conditions, Gebr. Bode GmbH & Co. KG has its own training workshop, for which it received a great deal of local recognition in the year under report.

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 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 their potentials in their technical and personal development. By the end of the fiscal year 2020, 35 employees had participated in the programme in Germany. By 2022, over 50% of the Group's managers based in Germany will have taken part in the programme. However, due to the pandemic, the programme was held exclusively online during the year under report. Face-to-face training will only be continued when there are no longer any health risks for the employees involved.

AIMS | RESULTS

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. The employees are to be involved in the workflows by being given a greater degree of personal responsibility. Similarly, managers are to be more closely involved in their leadership responsibilities. In future, "time administrators" are to be permanently phased out in the various areas.

To achieve these aims, a "digital HR" agreement was concluded in December 2019. The "Loga All-In" software application selected for this purpose is a cloud-based solution that was partially introduced in 2020. Its remaining modules are due to be launched by summer 2022.

A Group works agreement was concluded for "digital HR" in July 2020.

5.5. Human rights and the supply chain

ORGANISATION, POLICIES AND PROCESSES

The Schaltbau Group is aware of its responsibility and fully committed to respecting human rights, such as avoiding the use of child labour and forced labour. This commitment is enshrined in the Code of Conduct and applies to all Group employees and business partners. Training courses are held for employees on the rules set out in the Code of Conduct.

TARGETS | MEASURES

With the aim of involving business partners more closely in the concept of responsible action, in 2018 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. Schaltbau's main suppliers have been prompted to comply with the Code. Gebr. Bode GmbH & Co. KG is also planning to draw up and implement a Code of Conduct for its suppliers.

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. Beforehand, however, the Group would first seek a constructive dialogue with the supplier to jointly discuss the underlying causes and possibly agree on solutions to the shortcomings identified.

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.

During the year under report, Schaltbau GmbH implemented a new supply chain software system that makes it simpler to analyse conflict minerals and improves the management of RoHS and REACH compliance.

Some Group 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 environmental and occupational work and safety management system in place.

At SBRS GmbH, the verification of certified occupational health and safety and environmental management systems is an integral part of supplier audits and supplier self-assessments. Gebr. Bode GmbH & Co. KG intends to include environmental and social issues when conducting audits of supplier facilities in future.

Bode North America, Inc. gives preference to suppliers certified in accordance with the Disadvantaged Business Enterprises (DBE) standard. The certification is issued by the U.S. government with the aim of levelling the playing field for smaller businesses owned by socially and economically disadvantaged individuals.

RESULTS

In order to comply more rigorously with its human rights-related due diligence obligations, in 2019 the Schaltbau 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 risk potential for human rights violations was determined for more than 50%⁵ of the direct suppliers and initial risk-mitigating measures were defined. As the supplier structure did not change significantly in the year under report, the results can still be regarded as accurate.

5.6. Social commitment

Again in the fiscal year 2020, no common targets or measures were defined at Group level in this regard. Voluntary commitment is practised at subsidiary level on an individual basis. Apart from civil protection activities, our employees are involved, for example, in social institutions, through internally organised fundraising campaigns, or through sponsorships abroad. SBRS GmbH and Pintsch GmbH purchase products and services (such as the maintenance of outdoor premises or the production of transport crates) via the Workshops for Disabled People (WfbM) in Dinslaken, which belong to Albert-Schweitzer-Einrichtungen für Behinderte gGmbH (ASE).

⁵ Measured by purchasing volume in 2018

6. COMPLIANCE

6.1. Compliance with laws and regulations

ORGANISATION, POLICIES AND PROCESSES

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. The Code of Conduct was revised during the year under report.

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, regulations 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, regulations 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 every four years at the latest. Of around 25 regulations, nearly half of them were updated in the year under report, after almost a quarter had been revised in the previous year.

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. The Pintsch Group and SBRS GmbH are currently receiving direct support from the Group Compliance Officer of Schaltbau Holding AG with respect to compliance issues. A compliance officer will be appointed for each of these two companies in the course of 2021.

MEASURES

All employees are required to adhere to Group compliance regulations. With the introduction of new regulations or at regular intervals, employees are trained in compliance fields, either in face-to-face training 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 every four years. Accordingly, the internal auditors alternately focus their attention on Schaltbau locations in Germany, Europe, America and Asia each year. In the 2020 reporting year they focused on Group companies based in Germany and the rest of Europe. All German locations were reviewed in order to ascertain correct implementation of the General Data Protection Regulation. A customs audit was carried out at a Group company based in the UK. Due to the COVID-19 pandemic, however, the audit had to be largely conducted remotely using suitable tools. Audits have therefore been postponed to 2021 in cases where audit procedures require on-site presence. In 2021, apart from conducting audits that had to be postponed the previous year, a further focus will be placed on Schaltbau Group companies based in Asia.

In addition, employees of Schaltbau companies based in Germany received comprehensive training on the topic of preventing corruption during the year under report.

Any suspected violations of compliance regulations can be reported to the compliance officers of the relevant companies or anonymously via the whistle-blower system. Any reports received will be processed in a prompt manner. If compliance violations are identified, their causes and effects will be analysed and addressed and sanctions imposed on those responsible if deemed appropriate.

REVISING THE WHISTLE-BLOWER SYSTEM

Based on EU Directive 2019/1937, in the fiscal year 2020 Schaltbau Holding AG reformed the whistle-blower system used within the Group. Confidentiality requirements are upheld, taking into account the provisions to protect potential whistle-blowers by means of secure reporting channels and a reliable point of contact. A system provider is used for this purpose to provide technical support for the web-based system based on https-encrypted connections. The relevant data are kept in high-security data centres and it is not possible for unauthorised persons to view the reports. The reporting process is subject to a predefined process with set deadlines, enabling whistle-blowers to report anonymously and confidentially. The system is available to both internal and external stakeholders and will be activated from 2021.

AIMS | RESULTS

No internal cases of corruption were detected in the fiscal year 2020.

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 2020 reporting year. Schaltbau's goal remains to prevent any cases of corruption.

6.2. Data protection and IT security

ORGANISATION, POLICIES AND PROCESSES

The IT departments of Schaltbau Holding AG and its four segment lead companies are generally responsible for data protection and IT security issues. The function of the Data Protection Officer is located outside the IT department, as he has a monitoring function with respect to the IT department and is accountable to Compliance (within the framework of the management's delegation of functions). In terms of security, the IT strategy mainly focuses on establishing a security competence and activity field.

MEASURES | RESULTS | AIMS

A considerable number of company policies are currently being revised in order to take legal developments and technological progress into account. Employees are regularly trained on data protection and IT security, and the topic is also integrated in the general risk management audits, as described under 6.1. Specific objectives are derived from the results of the general risk management audit and the audit of the financial statements.

6.3. Political influence

Any political influence exerted by the Schaltbau Group is done exclusively via association activities, such as by attending 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 and the Association for Production and Logistics Management. 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 addition, Pintsch GmbH is a member of "Allianz pro Schiene", an organisation dedicated to promoting safe, eco-friendly railway transportation.

Gebr. Bode GmbH & Co. KG is a member of associations that include the German Association for Quality (DGQ), the German Institute for Standardization (DIN) and the VDSI, an organisation dedicated to industrial health and safety and environmental protection.

Schaltbau Group subsidiaries also participate in numerous association activities in other countries, such as in France (FIF – Fédération des industries ferroviaires), Italy (ANIE – Federazione Nazionale Imprese Elettrotecniche ed Elettrotecniche, i.e. the national association of the electrical industry in Italy) and China (China Urban Rail Transit Association Modern Tram Branch) to name but a few.

In accordance with its 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 UN 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.