

SCHALTBAU
HOLDING

Sustainability Report 2023

published by

Schaltbau Holding AG

in accordance with the German Sustainability Code

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FOREWORD BY THE EXECUTIVE BOARD

Dear Readers

A great deal has changed in recent years and it is meanwhile absolutely essential for the business world to take various aspects of sustainability into account. The climate crisis, which poses a substantial threat to everyone, also requires companies to reduce the size of their carbon footprint. It is becoming increasingly important to review the supply chain and, in view of the current shortage of skilled workers, inclusion and diversity are taking on a new significance when it comes to reducing the existing shortfall. Sustainability has become a critical factor in ensuring corporate success and is being given the corresponding priority at management level in the world of industry.

To take these framework conditions into account, since 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.

This report highlights our ongoing work in the field of sustainability, as we continued to drive forward our sustainability strategy throughout 2023 and made progress in all key areas. We are firmly convinced that taking environmental, sustainability and social issues into account in corporate governance is an excellent way of gaining a competitive edge in a rapidly changing world.

At the heart of our approach is a strong conviction that we need to invest in the energy transition. On the one hand, we are already doing this through our innovative products, which are essential building blocks in an electrified world. They make electric vehicles safer, charging faster and enable direct current (DC) energy generated from renewable sources to be stored safely and used as required by end consumers. Although the share of renewable energy in total electricity consumption in Germany exceeded the 50% mark for the first time in 2023, major challenges still need to be tackled in order to make the energy transition a success. Above all, that means a move away from the highly centralised approach taken until recently towards decentralised energy communities, so-called microgrids that ensure a direct and uninterrupted connection between DC-based producers and consumers. Even though the strengths and advantages of direct current and DC microgrids are well known, there are virtually no DC distributions at the present time.

Here, we not only ask ourselves what it takes for these to become an everyday standard, but also provide the answers with our NEX Factory. Not only did we put the world's first DC-powered factory into full operation in 2023, we also set the first standards. With its unique energy concept, which includes a 1.35 MW peak photovoltaic system, the NEX Factory will not only enable carbon-free production going forward, it will also be far more energy-efficient. The facility can operate fully with DC electricity, which will enable us to cut the site's energy costs by around 35%, making it possible to produce in a climate-neutral manner at competitive prices, even in a comparatively expensive business location like Germany. We will make this expertise and the technology required to build such DC microgrids available to the market as a key aspect of the business model of our subsidiary Schaltbau GmbH.

Rail transport is also a key factor in providing sustainable, carbon-neutral personal mobility and logistics services. That is why all Schaltbau Group companies continue to invest in new products and solutions that ensure the safety and availability of railway transportation – from digital interlocking systems and level crossing technologies, axle counters and point machines to door and boarding systems as well as DC components for supplying power in trains.

Although we are seeing an increased shifting of passenger transportation and logistics services to rail, safe e-mobility, and renewable energy supply and storage, we cannot quantify the size of the contribution our products

and solutions are making to improving environmental protection. Therefore, this Sustainability Report documents the progress we have made in the Schaltbau Group in the course of fiscal year 2023 in terms of sustainable corporate development and describes the initiatives and measures we have taken to ensure the continuous improvement of relevant ESG key performance indicators.

Although we are satisfied with our progress so far, we know that we still have a lot of work ahead of us, which we are very happy to take on because we know one thing for sure: sustainability is becoming a major competitive advantage that should not be underestimated. For this reason we are convinced that as a corporate group we will only be successful in the long term by adopting a sustainable approach – and this applies not only to our environmental goals, but also to the further dimensions of sustainability, i.e. social responsibility and sustainable corporate governance. At Schaltbau, our sustainability strategy therefore entails taking responsibility for our supply chains and respecting human rights, but also includes resource-friendly product design, deploying highly efficient, flexible production processes and striving for continuous improvement in other vital ESG key performance indicators.

March 1, 2023



Wilko Stark
Executive Board, CEO



Steffen Munz
Executive Board, CFO

ABOUT THIS REPORT

Contents of the report

With this Sustainability Report, the Schaltbau Group wants to illustrate the progress it has made in terms of sustainability during the period under report. Although the Schaltbau Group does not fall within the scope of the CSR Directive Implementation Act (CSR-RUG) this year, it is publishing a separate, Non-financial Group Report on a voluntary basis pursuant to Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). The Non-financial Group Report for 2023 is part of this Sustainability Report 2023, which the Schaltbau Group has again based on the principles of the German Sustainability Code (GSC). The report also takes account of the requirements of the Global Reporting Initiative (GRI Standards)

Scope of application and reporting period

The contents of this report relate to Schaltbau Holding AG and its fully consolidated subsidiaries. A list of consolidated entities is provided in the table on page 56 of the Schaltbau Holding AG Annual Report 2023.

The Sustainability Report 2023 relates to the fiscal year 2023 and covers the period from 1 January to 31 December 2023. There were no changes to the Group reporting entity in the course of 2023.

Editorial note

The Sustainability Report 2023 is available in both German and English. Both versions can be found on the Schaltbau Group's website at: www.schaltbaugroup.de.

1. COMPANY PROFILE

1.1. Business model, range of products and services

The Schaltbau Group operates in 14 (2022: 14) countries with 28 (2022: 27) sales offices and manufacturing sites and has a global network of external sales partners.

The Schaltbau Group operates primarily in two different market sectors:

In the **Rail** sector, traditionally its core business, the Schaltbau Group has been among the market leaders for safety-related components and systems for many years. This applies to both the railway-related components and devices manufactured by Schaltbau GmbH and the various systems and services provided by Bode and Pintsch. The Group has successfully established itself on this market as an expert for rail infrastructure, boarding systems, electromechanical components and electronic devices for rolling stock and its products and services are synonymous with safety and high availability in the world of railway transportation. The **Rail** market is highly robust and features long-term moderate growth rates.

In the **DC Power** (direct current) sector, the Schaltbau Group leverages its excellent technological expertise and know-how to protect DC applications in the rail sector and enter fast-growing markets in the new energy/new industry and e-mobility sectors with innovative applications designed for use outside the rail sector. Moreover, with its electromechanical components and smart energy management solutions, the Schaltbau Group ensures a high level of safety and efficiency in markets where DC technology and battery systems are deployed. The **DC Power** market has outstanding potential with double-digit growth rates.

The business model of the three segments is as follows:

Pintsch: Manufactures safety-critical components and solutions for rail infrastructure applications

Based in Dinslaken, PINTSCH GmbH has branches in the Netherlands and the USA and manufactures safety-related technical products for the rail infrastructure market. Its broad range of solutions includes level crossing systems, signalling and safety technology, interlocking and shunting technology, axle counting systems, point machines and point heating systems. Pintsch also constructs new railway lines and maintains existing ones, focusing mainly on regional routes. Pintsch operates on a global basis, with the majority of its business activities in Germany and neighbouring European countries. Its market development is primarily influenced by government investment programmes aimed at expanding and digitalising rail infrastructure.

Bode: Manufactures door and boarding systems, especially for rolling stock

Bode – Die Tür GmbH is based in Kassel and operates branch offices as well as production sites in the UK, Poland, Turkey, the USA, China and South Korea. Bode specialises in manufacturing, maintaining and servicing fail-safe and intelligently connected vehicle door systems, particularly for rolling stock. The Bode Group also supplies windows for rolling stock, complete interior fittings and specially designed equipment such as train roofs via its Polish subsidiary RAWAG. Bode has operations worldwide, focusing its business primarily on markets in Europe and North America.

The markets that Bode serves are indirectly influenced by state and communal investments in the expansion of local and long-distance public transport, as these drive demand for new vehicles and modernisations by the respective state, communal and private operating companies.

Schaltbau: Makes safety-critical components for the rail, new energy/new industry and e-mobility markets

Schaltbau GmbH is based in Munich, has 13 foreign branches, and specialises in manufacturing safety-critical components such as contactors, connectors and switching systems with its primary focus on DC technology. Schaltbau components are utilised in the railway industry, e.g. for signalling, protection and energy distribution, and increasingly for the protection and energy management of battery-powered industrial applications in the fields of new energy/new industry and e-mobility automotive – including energy storage systems for renewably generated electricity, e-cars and electric charging stations. Schaltbau also supplies complete drivers' desks and

components for drivers' cabs in the railway industry. Schaltbau operates on a global basis and is among the leading international manufacturers of DC components. While the Rail market is also indirectly influenced by investments in the expansion of local and long-distance public transport systems, in the DC Power segment, funding programmes for broadening the use of renewable energy and electric mobility as well as governmental regulatory requirements with regard to carbon emissions from industry and automobile manufacturers are increasingly having an impact on Schaltbau's sales markets. The regulatory requirements reflect a mega-trend towards the sustainable reduction of climate-damaging greenhouse gases to promote the energy transition.

1.2. Organisational structure

Pintsch, Bode and Schaltbau with their respective subsidiaries simultaneously represent the three segments of the Schaltbau Group. Schaltbau Holding AG is the parent company of the three segments and responsible for strategy, implementation and the management of the Schaltbau Group as a whole. In regular review meetings with its managing directors and other selected key employees, Schaltbau Holding AG monitors the key financial and non-financial indicators and the progress of internal projects, and assesses the opportunities and risks concerning both current and future business operations.

Schaltbau Holding AG is also responsible for Group-wide duties such as financial accounting and controlling, cash management, legal affairs, investor relations, the provision of IT systems and corporate governance functions such as compliance, auditing, risk management and Corporate Social Responsibility.

1.3. Value chain

The Schaltbau Group covers the entire value chain, including research and development, manufacturing, sales and product maintenance. In both the Rail and the DC Power lines of business, Schaltbau products and solutions are deployed in safety-critical applications and required to meet stringent standards, which is why the Schaltbau Group invests highly in research and development. The Group's systems and components are largely developed and manufactured at its own sites within Germany and Europe. The outstanding level of quality required ensures the durability of Schaltbau's products and solutions and therefore also helps conserve valuable resources. Moreover, Schaltbau Group companies strive to make their production and business processes as resource-friendly as possible.

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 prevention regulations are also taken into account. In addition to rolled steel, stainless steel and cast iron, Schaltbau also uses in particular the raw materials aluminium, nickel and silver in its production processes. Moreover, 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 raw materials are used to manufacture Schaltbau products. Schaltbau Group companies provide all their business partners with specific information and certificates regarding conflict minerals, raw materials and REACH compliance.

The Schaltbau Group largely refrains from the use of hazardous substances and utilises packaging made from recycled materials at many of its locations. It also ensures that environmentally friendly technologies are deployed 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 published on the Schaltbau Group's website under "Responsibility".

Moreover, the Group offers its business partners assistance in the continued development of their own codes of conduct.

Within the Schaltbau Group, in addition to external audits on quality and environmental management, regular audits are conducted by customers, such as in the Rail line of business by DB Netz AG and various rolling stock manufacturers, and in the DC Power line of business by e-vehicle manufacturers and suppliers.

2. CSR STRATEGY AND MANAGEMENT

2.1. Results of the materiality analysis

External expectations regarding the sustainability of companies, including Schaltbau, have undergone significant changes in recent years. For this reason, Schaltbau last revised its materiality analysis in fiscal year 2020, the results of which we still consider to be up to date. The revision was designed to address changes in external requirements and integrate them in the Group's CSR strategy and reporting processes. In the course of the revision, Schaltbau 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.

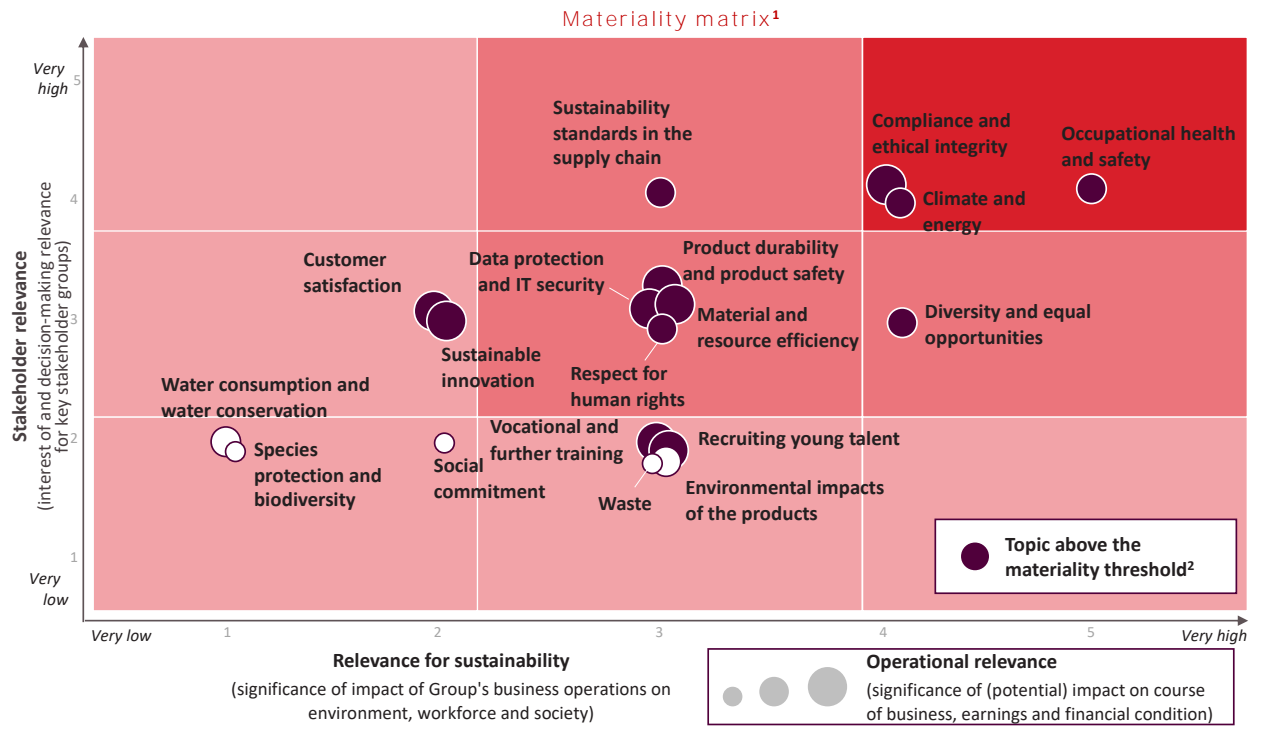
In an initial step, a field analysis was conducted in order to make a long, detailed list of potentially relevant topics. The field analysis took publications and enquiries from investors and political and regulatory trends into account as well as the commitment of competitors to sustainability. Firstly, the topics on the 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 categories:

- Business relevance (significance of the potential impact on business performance, 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, key stakeholder groups)

Following these issue-related assessments, a materiality threshold was defined in order to focus on material issues. Issues considered material were those of high or very high relevance in at least one of the three categories, 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 1) has a high or very high relevance (4-5) in at least one of the three dimensions or 2) has a very high relevance (5) for at least one of the stakeholder groups.

The materiality analysis identified 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, notifiable risks and key performance indicators. The CSR-relevant risks discussed in the Management Report 2023, 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 management-relevant, non-financial performance indicators.

Overview table: Allocation of the topics addressed in the report to the aspects pursuant to CSR-RUG

ASPECT PURSUANT TO CSR-RUG	TOPIC	CHAPTER
Combating 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 development 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	Respect for 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 6.1. Compliance with laws and policies
Others	Product durability and product safety	4.1.3 Resource-efficient and eco-friendly products 3.1 Customer satisfaction, product durability and product safety
	Data protection and IT security	6.2 Data protection and IT security
	Customer satisfaction	3.1 Customer satisfaction, product durability and product safety

2.2. Stakeholder dialogue and ESG rating¹

In addition to identifying and analysing material issues, the Schaltbau Group's management team also sees it as important to maintain an ongoing dialogue with all its stakeholder groups. These include customers, ESG-oriented rating agencies, analysts and investors, employees, and representatives from the worlds of science, research, education and politics.

Overview of Schaltbau's key stakeholder groups



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

- The company website
- The EcoVadis ESG rating
- The Sustainability Report
- Employee surveys and informational events
- Various committee and association meetings
- Research cooperations with universities

Apart from these mechanisms, individual Group companies implement further initiatives. 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 main points already identified in this analysis. These dialogues therefore contribute to a continual reappraisal of the understanding of key stakeholder expectations. They enable us to identify specific risks and opportunities in good time and adjust our business operations accordingly.

¹ESG is short for Environment, Social and Governance.

This approach is also reflected in the results of the EcoVadis ratings. EcoVadis is a rating platform that specialises in providing ESG ratings of suppliers for global supply chains. The methodology underlying the rating is based on international CSR standards, including the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC) and the ISO 26000 standard. When the first Group-wide rating was conducted by Ecovadis in fiscal year 2017, Schaltbau achieved bronze status. In 2019, Schaltbau achieved silver status for the first time, which it managed to maintain until 2023. In 2024, a new rating process will be initiated with the aim of further improving the Group's 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 process 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 use resources more efficiently, 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 analyses and the legal requirements of CSR-RUG, in 2017 the first CSR strategy was developed, including a detailed package of measures, which comprises objectives, measures, KPIs and responsibilities and has formed the basis for CSR activities in recent years.

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

The main focal points of the CSR strategy are:

- **Legal compliance:** The Schaltbau Group acts strictly in accordance with legal requirements and pursues a rigorous compliance management policy.
- **EcoVadis ESG rating:** The Schaltbau Group aspires to maintain the Silver status achieved in the most recent Group-wide EcoVadis ESG rating and continue improving its performance. The rating certifies that the Schaltbau Group's business activities comply with internationally acknowledged CSR standards.
- **Transparency:** The Schaltbau Group maintains an open dialogue with its stakeholders and reports regularly on CSR activities.
- **Measurability:** The Schaltbau Group works constantly to measure, manage and improve the sustainability of its operations. The management systems, some of which have already been implemented, provide the Group with information and data that enable it to specifically optimise its activities.

In order to achieve these strategic aims, in 2017 and 2018, CSR management concentrated on compiling quantitative environmental indicators and further professionalising its reporting processes. As of 2019, the emphasis was placed increasingly on CSR-related issues. In 2019, the objective of conducting an initial review of the two issues "sustainable supply chain and human rights" and "climate management" was achieved. In 2020, the topic of climate management was continued and in 2021 a carbon footprint was included in the Sustainability Report 2020 for the first time. In 2020, additional emphasis was placed on the above-mentioned complete revision of the materiality analysis. The updated materiality analysis for 2020 showed that the CSR priorities pursued to date continue to be valid, particularly the topic of occupational work and safety. As a consequence, a new KPI was recorded in 2021: in addition to injury frequency, injury severity and the coverage of employees paid according to collective agreements have been reported since 2021.

In fiscal year 2023, a project was carried out to implement the German Supply Chain Due Diligence Act (LkSG). Please see the explanations in chapter 5.5. 'Human rights and supply chain' in this report.

A CSRD readiness check was also carried out in 2023 and a CSRD roadmap was developed in order to identify and process the increasingly strict requirements for future CSRD reporting at an early stage.

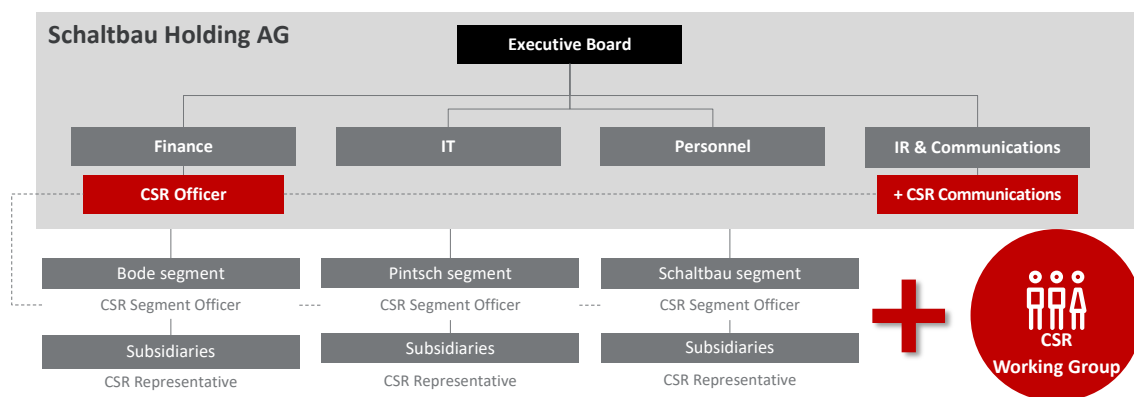
Since 1 October 2023, Schaltbau Group companies within the EU have had to comply with the reporting obligations under the Carbon Border Adjustment Mechanism (CBAM). The CBAM is intended to ensure that the same carbon price is paid for the greenhouse gas emissions of certain imported goods as in the European Emissions Trading System. In 2023, a project was launched to implement the requirements of the CBAM Regulation within the Schaltbau Group in a legally compliant manner. The project will be continued in 2024 to ensure that the reports are submitted correctly and on time to the relevant authorities as deemed necessary.

In addition to the strategic work undertaken to date, it should also be noted that Schaltbau has been a signatory to the United Nations Global Compact (UNGC) since 2019 and is therefore committed to ten internationally acknowledged principles of corporate responsibility. These are divided into the categories of human rights, labour standards, environment and anti-corruption. A progress report in accordance with UNGC requirements was also integrated in the Sustainability Report up to fiscal year 2022. However, due to the new questionnaire-based progress reporting of the UNGC as of 2023, the progress report is no longer part of this Sustainability Report.

2.4. CSR organisational structure and responsibility

The following chart shows the current CSR organisational structure, based on the CSR strategy and sustainability reporting requirements. In addition to 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.

Overview of the CSR organisational structure within the Schaltbau Group



The CSR reporting process is structured hierarchically from the subsidiaries via the Group segments to Schaltbau Holding AG. Sustainability reporting at Schaltbau 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 Sustainability Report is prepared on the basis of the aggregated data.

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 fiscal year 2019, these performance indicators were expanded to include the compilation of a carbon footprint assessment. A Group-wide CSR corporate policy was also introduced in fiscal year 2019. In line with this policy, the Schaltbau Group's Code of Conduct, which was again revised in 2022, defines its expectations regarding the lawful conduct and integrity of its employees. New recruited employees receive training in this field. Violations of the Code of Conduct are not tolerated and can result in disciplinary action.

2.5. Incentive systems

The remuneration system applied at Schaltbau Holding AG is based on the principles of performance and earnings and represents a corporate culture of reward for services rendered. The total remuneration of the Executive Board comprises both fixed and performance-related components.

Criteria for the appropriateness of remuneration 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 remuneration and the remuneration structure compared with the wage and salary structure, both within the Group itself and in other companies of comparable size and industry.

In accordance with statutory provisions, the service contracts and the structure of the remuneration system for the members of the Executive Board were reviewed and determined by the full Supervisory Board up to 31 March 2023. The service contracts of the members of the Executive Board of Schaltbau Holding AG were terminated as of 31 March 2023. As a result, new managing director service contracts were concluded between the former members of the Executive Board of Schaltbau Holding AG and Voltage BidCo GmbH, Schaltbau's parent company, with effect from 1 April 2023. Despite these contractual amendments, both members of the Executive Board continued to serve as members of the Executive Board of Schaltbau Holding AG in fiscal year 2023.

Due to the delisting of Schaltbau, the remuneration of individual members of the Executive Board is no longer disclosed. As of 31 December 2021, the shares of Schaltbau Holding AG were no longer traded on the regulated market, but on the Regulated Unofficial Market (Freiverkehr), which means it is no longer mandatory to disclose the remuneration of individual Executive Board members.

Further information on this subject is provided under 'Other disclosures' in the section 'Remuneration of the Executive Board and Supervisory Board' as part of the Combined Company and Group Management Report for Schaltbau Holding AG and the Group 2023.

The remuneration system does not currently stipulate any explicit CSR targets. However, the structure of the target agreements for skilled and executive staff allows for the implementation of CSR targets.

3. CUSTOMER INTERESTS AND PRODUCT MANAGEMENT

3.1. Customer satisfaction, product durability and product safety

ORGANISATION, POLICIES AND PROCESSES | TARGETS

The Schaltbau Group aims to ensure a high level of product safety, quality and durability. In order to protect the Group's reputation and the interests of its customers, potential production risks are limited by a comprehensive set of policies 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 also meet other industry-specific quality management standards. Therefore, 99% of the Schaltbau Group's employees work in accordance with certified quality standards. As part of the certification process, the Group's companies are required to provide information on their targets, including time frames 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

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, comprehensive performance indicators have already been implemented at Schaltbau GmbH, Pintsch GmbH and Bode – Die Tür GmbH as well as at their main manufacturing subsidiaries. These performance indicators include 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 issues and product management are warranty risks and complaints, including the devaluation of receivables and risks due to the non-achievement of milestones relating to project business. There are also risks relating to order processing, primarily from the supply of spare parts to customers and the failure to achieve the planned delivery performance. These risks are described in detail in the Risk Report, which is part of the Combined Management Report for Schaltbau Holding AG and the Group for 2023.

3.2. Sustainable innovation

ORGANISATION, POLICIES AND PROCESSES | TARGETS

In order to meet the increasingly complex range of global challenges, in the year under report the Schaltbau Group once again set itself the goal of not only expanding the product portfolio already developed in the field of research and development, but also to focus on sustainable and at the same time innovative solutions. The Schaltbau Group is thus defining its strategy regarding sustainability for the years to come. The further development also takes account of current legal and social developments as well as the expectations and requirements of various stakeholders such as customers and investors, and also makes an important contribution to society.

As a general rule, the R&D departments of the various Group subsidiaries are primarily responsible for product development and innovation. As mentioned in previous reports, 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 increase the durability of the Schaltbau Group's products. The Schaltbau Group's sales companies are frequently in close contact with the R&D departments, providing customer feedback and information on market requirements.

There are currently no Group-wide targets with regard to sustainable innovation, as this task is performed at subsidiary level. Schaltbau GmbH, for example, is pursuing the aim of further expanding the new energy / new industry and e-mobility (automotive) market segments. The goals of Bode – Die Tür GmbH include increasing the percentage of lightweight materials in its products and optimising its use of resources by developing a condition-based maintenance system. Details on the implementation of these and other targets are provided in the following section 'Measures / Results'.

MEASURES | RESULTS

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

In the development of contactors at Schaltbau GmbH, numerous projects and concept studies have been initiated for the new energy / new industry and e-mobility (automotive) market segments. These developments are intended to additionally expand the Group's range of contactors. Optimised drive and contact arrangements will additionally improve energy efficiency.

Another of the Schaltbau Group's goals is to improve the special-purpose snap-action switches made for customers who manufacture point machines worldwide. Point machines have very strict reliability requirements and must meet the highest safety standards. To increase the availability of point machines, they require snap-action switches (so-called point limit switches) that have an additional redundancy integrated in the snap-action contact system and snap-action switch drive. The innovation ensures that every position of the points in the point machine is always available and reliably displayed by the point limit switches with integrated redundancy when evaluating the monitoring currents of the interlocking system.

The new energy / new industry and e-mobility applications based on DC technology remain an essential strategic cornerstone of the Schaltbau Group's product range. During the year under report, the main emphasis was again on the further development of contactors for safety-related DC applications, a field in which Schaltbau is focusing on developing extremely compact switches with low contact transition resistances in order to significantly reduce power losses when handling high-current loads. The innovation helps conserve valuable resources and enables the applications to be operated in a more economical and sustainable manner, as it significantly reduces system losses and is ultimately equivalent to increasing the range of electric vehicles, for example. In addition, the new generations of contactors include innovative concepts such as optimised magnetic circuits or electronic economy circuits, which lead to a reduction in control power and thus also help to improve energy efficiency. The connectors Schaltbau has developed for high-current and/or high-voltage applications already make it possible to electrically charge and operate forklift trucks and similar vehicles in the industrial sector. The modular, easy-to-repair design of the connector systems makes it possible to specifically replace individual components or renew cables.

Compared to moulded systems, for example, valuable resources can remain in use by replacing defective parts and do not have to be disposed of together with the defective components.

Schaltbau is also working on a technology for future smart circuit breakers, a combination of conventional electromechanical switches and power electronics switches, sensors and evaluation and communication intelligence. Switches of this type are used as protection and monitoring devices in the increasingly emerging branched DC grids. In addition to their main function, i.e. switching, this new generation of switches also provides real-time electrical readings to implement energy management systems, which are required to enable a carbon-free energy supply.

In 2019, Bode – Die Tür GmbH introduced the concept of condition-based maintenance (CBM) in an initial customer project. The procedure is designed to replace the previous interval-based system and maintenance and repair work are now carried out according to the degree of wear on the components, avoiding them from being unnecessarily disposed of prematurely and instead optimally used until the end of their life cycle. The concept 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 positive feedback received from the first customer project, the concept was additionally promoted in 2020 and is now available as a generic platform for projects in both the Road and the Rail lines of business. A two-year field test at a Swiss company has fully confirmed the suitability of the algorithms developed. Follow-up projects are currently ongoing with both OEMs and rolling stock operators regarding the use of CBM algorithms.

In order to gain additional expertise on this topic, Bode – Die Tür GmbH is a partner in a project funded by the Federal Ministry of Economic Affairs and Climate Action entitled "Train Twin". The aim of the project is to develop a "train twin", in which, combined with AI models, the system "train" and its subsystems, including their current states, are digitally mapped and provided in real time. However, it was not possible to successfully launch the "Train Twin" project as no agreement could be reached between the project partners in a cooperation agreement and the project sponsor therefore stopped the project.

The Bode CBM solution is being further developed as part of the development cooperation with Deutsche Bahn AG. DB aims to reduce unscheduled visits to the workshop, as the prevailing shortage of skilled workers means that unscheduled repair work on the vehicles is no longer feasible.

Likewise at Bode – Die Tür GmbH, for several years now, various technologies and materials in the field of lightweight construction have been researched as part of a collaborative project and lightweight doors are currently being developed on this basis. The lower weight of the doors will also make it possible to simplify the design of the door 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 aim of the project, i.e. to develop more sustainable structural components for boarding systems in rolling stock applications, was fully achieved. To industrialise the project, however, further stages of development would be required to successfully integrate them in the overall system.

Also part of the lightweight construction offensive, as a cooperation partner Schaltbau's application for the "Lightweight Copper" project funded by the Federal Ministry of Economic Affairs and Climate Action was submitted and approved by the Ministry in fiscal year 2022. The aim of the project is to research and develop a copper-based casting alloy to minimise the use of resources in die casting and permanent mould casting processes and fully exploit the potential of the material. The project consists of researching and developing innovative metallurgical alloying concepts and processing options with the aim of optimising castability and material strength. The development is accompanied by the analysis of the fatigue strength in order to optimise the design of the components depending on their structure and wall thickness. In permanent mould casting, wall thicknesses can then be reduced by up to 20%, meaning that a wide range of components can be potentially designed in far lighter versions. If the parts prove to be too thin for permanent mould casting due to the process used, the material can alternatively be processed by die casting. However, the aim of the project is not to replace the permanent mould casting process, but rather stainless steel precision casting, the products of which are often manufactured in Asia due to the lower labour costs and the lack of environmental protection and waste disposal

regulations. The development of copper casting materials that can be used in permanent mould or die casting processes thus makes it possible to efficiently manufacture components with fewer resources, in turn helping protect the environment by avoiding large amounts of greenhouse gases and waste. Moreover, the use of scarce metals such as chromium, nickel and molybdenum can be avoided by replacing them with copper-based materials.

In 2022, Bode – Die Tür GmbH co-initiated a sustainability project sponsored by the Federal Ministry of Economic Affairs and Climate Action under the name of "s3 Aluminium; the use of 'contaminated' aluminium (i.e. secondary aluminium)". For Bode, the use of secondary aluminium in the boarding area of railway carriages opens up the opportunity to achieve an improved recycling index of the overall system with contaminated aluminium and thus also to generate an economic advantage. The expected disadvantages in terms of strength and corrosion will be verified via the simulation parameters developed in the course of the project and validated in practical testing to ensure operationally safe use during the 30-year life cycle of a railway carriage. Based on the prototype validated in the project and the simulation tools developed, the use of secondary aluminium is to be extended to other components in Bode's product portfolio.

The two development projects "light copper" and "s3 Aluminium" are scheduled to run for a period of around three years.

Pintsch GmbH uses highly efficient LEDs and state-of-the-art optical and electronic equipment in its signals, which not only considerably prolongs their service life, but also increases the efficiency of its products, significantly reducing maintenance and other costs for the customer. For this reason, in 2021 Dutch Railways decided to replace all the signals it currently deploys throughout the Netherlands with new products made by Pintsch GmbH, the first of which were delivered in fiscal year 2022. Other customers have now discovered this advantage for themselves, meaning that Pintsch GmbH is making an additional contribution to increasing energy efficiency with its products.

All products currently under development at Pintsch GmbH are aimed at sustainable, resource-saving materialisation, which means the systemic development of the products results in functional blocks that are always built on the same COTS-based hardware. The platform-based concept ensures an efficient product life cycle from development, production and operation of the systems through to disposal at the end-of-life stage.

Apart from the products themselves, the concept also includes a sustainable maintenance and servicing system that monitors the products and only suggests maintenance or servicing when necessary, making a significant contribution to conserving resources.

RISKS

The principal risks that can arise in relation to sustainable innovation are warranty risks and complaints. These risks are described in detail in the Risk Report, which is part of the Combined Management Report for Schaltbau Holding AG and the Group for 2023.

4. ENVIRONMENT

4.1. Resource-friendly 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 Schaltbau Group's corporate philosophy and for these reasons it also places great emphasis on protecting the environment. The Schaltbau 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 Schaltbau's main 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 Group companies have already implemented a variety of individual measures aimed at conserving resources. For both environmental and cost-related reasons, energy and water consumption as well as waste have been reduced to a minimum or ideally even avoided altogether during the production process. Moreover, Schaltbau companies take proactive 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. For the Schaltbau Group's Germany-based companies, waste statistics have been collected on both recycling and disposal, making it possible to draw conclusions about the quantities of waste generated by the various Schaltbau companies and identify potential for improvement. Policies on waste prevention and regular information in newsletters are additional measures aimed at raising 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.

Moreover, Schaltbau Group companies use raw materials in an efficient, resource-friendly manner in all their production processes. The Schaltbau Group is committed to using eco-friendly technologies and invests continuously in research and development with the aim of making its manufacturing processes and products even more sustainable, as described in detail in Chapter 3.2. The strategy helps to conserve resources and raw materials and promote the efficient reuse of materials, which not only benefits the customer, but also the environment and the Schaltbau Group itself. In order to avoid waste, returnable packaging is used to the extent possible, e.g. in collaboration with customers such as Stadler and Bombardier. Bode – Die Tür GmbH operates a wastewater treatment plant with chemical-physical purification stages to neutralise water impurities, particularly those caused by heavy metals. Any hazardous substances are disposed of by local specialist companies. Functionality is continuously checked by internal and external inspections (in accordance with the Self-monitoring Ordinance – EKVO). The test reports and laboratory tests certify that the system operates in accordance with requirements.

TARGETS

There are currently no Group-wide targets in place regarding resource conservation, as this task is performed at subsidiary level. For example, Schaltbau GmbH and Schaltbau Machine Electrics (UK) have set themselves the target of further improving their waste concept, firstly by avoiding waste and secondly by collecting and recycling the plastics and metals used in the production process and testing them for a possible secondary use, thus minimising the negative impact on the environment.

4.1.2. Energy and environmental management

ORGANISATION, POLICIES AND PROCESSES

Seven (2022: six) of the Schaltbau Group's 13 manufacturing companies have an environmental management system in place that is certified in accordance with ISO 14001 (equivalent to a coverage of 48% 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

For several years now, Schaltbau GmbH has regularly set itself reduction targets for its various production sites and office buildings. Schaltbau GmbH plans to convert its entire fleet of Springer commercial vehicles to electric models by the end of 2024. There are also plans to modernise the central drying systems at the Aldersbach site in order to reduce electricity consumption, but this has been postponed until later in 2024 due to delivery deadlines. The centralised system for cleaning drilling and oil emulsions was dismantled as planned during the year under report and replaced by decentralised cleaning systems with heat recovery facilities. Moreover, savings in the order of 40 MWh per annum are to be achieved at the Aldersbach site by lowering the minimum temperatures in the buildings.

A cornerstone of Schaltbau GmbH's energy and environmental management strategy is the construction of the NExT Factory at the Velden site, which went into full operation on 1 September 2023 after a development period of 2.5 years.

A 1.35 MW peak photovoltaic system on the roof of the NExT Factory produces around 1,600 MWh of energy per year. Initially, Schaltbau GmbH assumes that around 70% of the self-generated electricity can be consumed on site by the production processes, ventilation systems, etc. In addition, the electricity generated is fed directly into the plant via a DC grid without being converted into AC, as is usually the case. This innovation alone saves up to 15% energy per year. In conjunction with smart energy management and battery as well as thermal storage systems, the NExT Factory's energy costs per year are around 35% lower compared to a conventional factory concept that generates heat using fossil fuels. The new production facility is fully electrified, will be carbon-neutral going forward, and its electricity-based energy concept will pay for itself within around three years compared to conventional heat generation using fossil fuels.

The DC grid of the NExT Factory, which won the Lean&Green Award, works like a kind of circular economy concept for energy. It connects the DC-producing photovoltaic system on the roof with DC consumers and storage units within the production facility without any conversion losses. Schaltbau is currently in the final approval phase prior to the start of the PV system. However, this is proving to be quite challenging, as neither the authorities nor grid operators and energy suppliers have had any contact with such an innovative concept to date and, as a result, certain decision-making processes are progressing at a slower pace, particularly regarding the DC connection.

The Schaltbau assembly plant will thus be one of the first factories worldwide in which a major part of its operations runs on DC power. In the long term, the share of DC electricity used is expected to increase to around 90 to 95%. The fact that the entire intralogistics system is also supplied by its own stored or recuperated DC power is considered a technological milestone in industrial energy supply.

The concept includes a holistic view of every aspect, including power supply, heating and cooling, making for a better and more economical overall system.

The in-house power generation, smart energy distribution and storage, and efficient use of energy make it possible to run the factory on a carbon-free basis. The centrepiece of the energy concept is the photovoltaic system and the stationary battery storage facility with an initial capacity of over 300 kWh. During the day, the PV system

can supply the production, fully charge the e-vehicles as well as the battery storage unit and, last but not least, also charge and regenerate our thermal energy storage (sprinkler tanks) to pre-cool the building in summer and pre-heat it in winter. Schaltbau thus has access to a theoretical storage capacity (thermal) of almost 10 MWh and can therefore either heat or cool the factory in advance. The special thing about the concept is that the legally required sprinkler tanks suddenly pay for themselves within the first two years through their secondary use as thermal storage sources. Any surplus electricity is fed into the regional public power grid. If there is a shortage of energy, the NExT Factory can be powered by a reliable supply of green electricity, which Schaltbau GmbH obtains from the public grid, depending on the current situation. To further reduce electricity consumption, there are also plans to switch to daylight-dependent or presence detector-controlled lighting in some areas of the NExT Factory, which could save up to 140 MWh per annum in electricity consumption.

At Schaltbau Machine Electrics Ltd. (UK), the use of energy-efficient LED lighting in production areas reduced electricity consumption by almost 32 MWh in fiscal year 2023, which led to a reduction in total electricity consumption of around 18% with almost the same output.

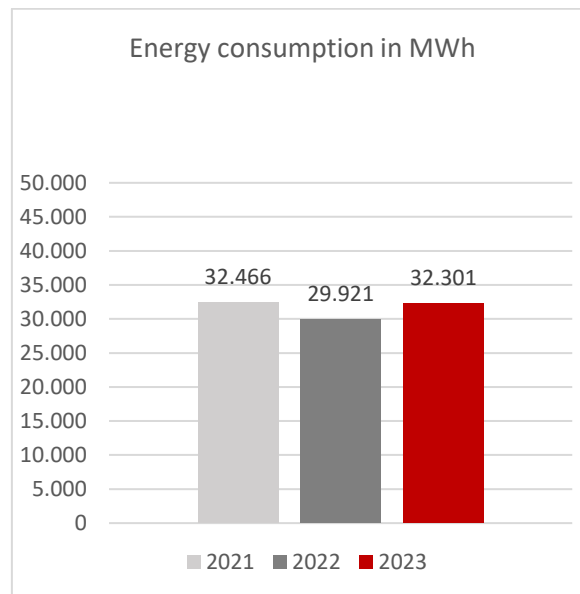
At Bode – Die Tür GmbH, three trainees were qualified as Energy Scouts at the Chamber of Industry and Commerce during the year under report. They are supposed to support and promote the topic of energy efficiency and saving within the company.

Further examples of measures taken to cut energy consumption in office buildings and production facilities within the Schaltbau Group, both in the year under report and in the past, primarily include changes in everyday working routines, such as switching off lights and PCs at the end of each working day. Secondly, the Group is gradually replacing its existing IT equipment with more energy-efficient devices. Other measures included the insulation and modernisation of production buildings, the successive renewal of machinery and the installation of energy-efficient LED lighting.

For several years, Schaltbau GmbH, Pintsch GmbH and Bode – Die Tür GmbH have had access to an environmental data collection system that covers the aspects of electricity, water, heating oil, natural gas and waste. Based on these best practices, Group-wide KPIs were introduced and a consolidation-wide data collection system was set up to measure energy consumption. In the years 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.

RESULTS

In the fiscal year under report, the Schaltbau Group consumed a total of 32,301 MWh of energy. At around 44%, electricity still accounted for the largest share of total energy consumption. The following overview provides information on energy consumption:



The previous year's energy consumption was adjusted upwards by around one thousand MWh in the year under report. Essentially, the electricity purchased to construct Schaltbau GmbH's new NExT Factory was added, as it was not included in the previous year's figures. Even taking into account the correction for the previous year, total energy consumption increased over the fiscal year under report. At first glance, the increase of around 4.3% is in line with the rise in the Schaltbau Group's total operating performance, which also rose by 4.3%. However, our aim was to significantly reduce overall energy consumption, particularly through the commissioning of the NExT Factory and other energy-saving measures, which was not achieved in fiscal year 2023 for the following reasons in particular:

- Due to the construction of the NExT Factory, considerable amounts of electricity were still being purchased in 2023
- The move to the new building, which took several months, led to an increase in overall electricity consumption, as both locations had to be supplied
- The previous site in Velden continues to consume energy, particularly in the winter months and despite it being vacant until it is sold, in order to keep the building frost-proof
- Last but not least, it was not possible to reduce the amount of electricity purchased from third parties throughout 2023 by generating our own electricity from the 1.35 MW peak photovoltaic system on the roof of the NeXT Factory, as approval has not yet been granted by the grid operator.

4.1.3. Resource-efficient and environmentally friendly products

ORGANISATION, POLICIES AND PROCESSES

The Schaltbau Group fosters long-term customer relationships and manufactures products for the railway industry that generally have a life cycle of at least 30 years. The R&D departments of the various Schaltbau Group companies are responsible for innovation and product development and also create modular product designs in the course of their work. Modular product designs make it easier to replace defective components during the use phase and thus extend the working life of the products, which helps to conserve resources.

MEASURES | RESULTS | TARGETS

In principle, increasing the volume of passengers and freight transported by rail helps reduce the amount of traffic on public roads and contributes towards lowering 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 towards decarbonising society.

For more information on sustainable product innovations, see chapter 3.2.

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 groundwork of previous years regarding climate management, including purchasing more of its energy from low-carbon or renewable sources, taking various operational measures to reduce energy consumption and increasing the proportion of electrified and all-electric vehicles in its fleet. In future, too, the Schaltbau Group intends to continue decarbonising its own operations and neutralising its carbon emissions, but will also turn its attention to new aspects such as mitigating climate-related risks along the entire value chain. Not least, the completion of the NExT Factory at the Velden site already described above will make a significant contribution to decarbonising Schaltbau GmbH, especially once the approval process with the grid operator regarding the PV system has been completed.

MEASURES | TARGETS | RESULTS

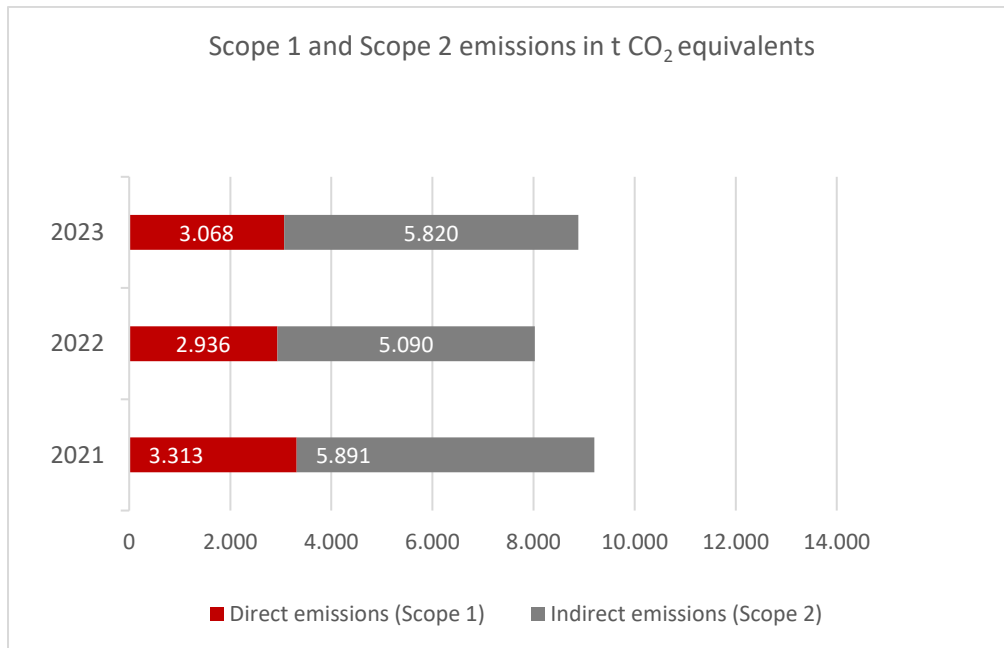
The Schaltbau Group has been collecting the data required to calculate its carbon footprint for many years. This carbon footprint assessment² covers the direct (Scope 1) and indirect (Scope 2) carbon emissions on a Group-wide basis.

² Scope 1: Emissions directly generated by energy consumption in buildings, fuel consumption, inert gas consumption and refrigerant losses. Greenhouse gas emissions from the private use of company cars are included in the carbon footprint assessment, as no separation between private and business use has been made.

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

The carbon 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: 12,103 t CO₂e (2022: 11,324 t CO₂e).



Greenhouse gas emissions (Scope 1 and 2) amounted to 8,888 tonnes of carbon equivalents in the year under report (2022: 8,026 tonnes). Electricity as well as natural gas and fuels in mobile units (mainly motor vehicles) are Schaltbau's main sources of emissions. The majority of these emissions are generated by Group companies based in Germany and the Group's location in Poland.

The slight increase in Scope 1 emissions is due firstly to the renewed increase in travel activity and secondly to a temporary increase in the consumption of heating oil to maintain temperatures at Bode – Die Tür GmbH, as that provided by the district heating supply was temporarily insufficient. The significant increase in Scope 2 emissions is primarily due to the reasons already outlined above, i.e. the greater amount of energy required for the construction of the new NEX Factory. Moreover, emissions factors for calculating greenhouse gas emissions associated with electricity consumption have deteriorated significantly in some cases for individual energy suppliers due to the energy crisis, resulting in higher emissions figures. At Bode – Die Tür GmbH, for example, this factor more than offset any savings made in electricity purchases.

When selecting company vehicles, the Schaltbau Group's company car policy particularly advocates the use of electric mobility.

The exhaust emissions generated by the Group'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.

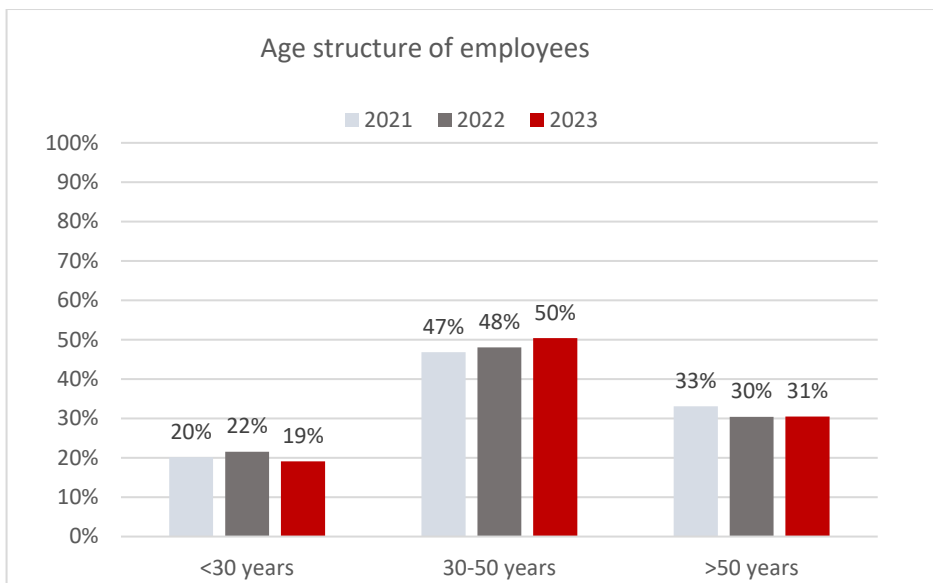
At PINTSCH GmbH, 14 e-charging stations and four simple 230V charging sockets have been in operation since October 2021. All-electric and hybrid company vehicles are given preference for charging. Meanwhile, PINTSCH GmbH has leased 14 hybrid and one all-electric model and additional vehicles are planned. The five charging stations currently still free can be used by the PINTSCH GmbH workforce in general. At Bode – Die Tür GmbH, six charging stations with a total of 12 charging points providing 22 kW of power and 9 charging stations with 7 kW of power were set up for the company's vehicles and put into operation in 2022. For vehicles owned by employees, three charging stations with a total of six charging points have been completed in the staff parking area and will be put into operation in 2024. Currently, one all-electric and 12 hybrid company vehicles are currently in use at Bode – Die Tür GmbH, with two more due to be purchased in the near future. At Schaltbau GmbH, nine hybrid and three all-electric company vehicles are now in use. Schaltbau Holding AG also has two additional hybrid vehicles. Schaltbau has invested in seven charging stations and additional charging sockets at its various locations

to meet this requirement. The charging stations planned for the premises of the NExT Factory in Velden are due to be installed in 2024.

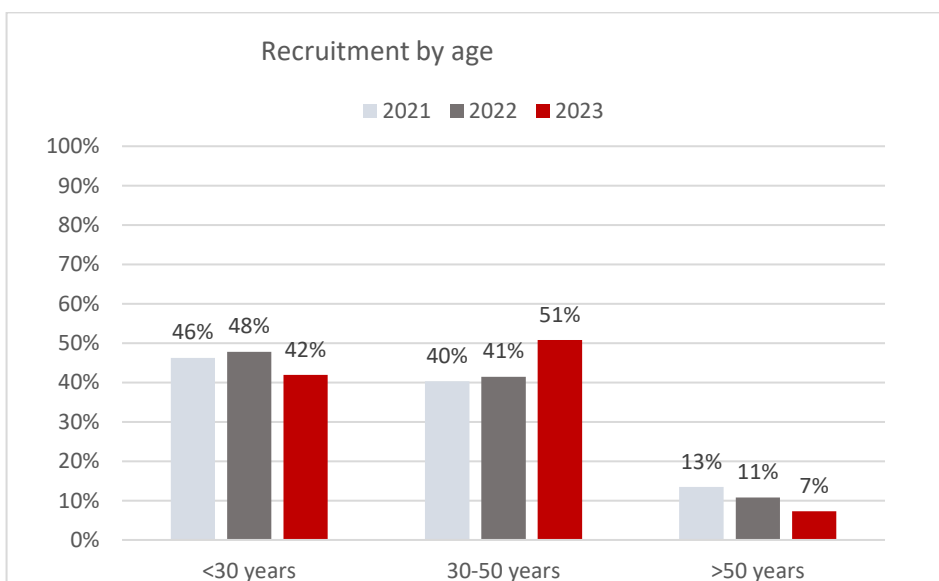
5. EMPLOYEES AND SOCIETY

5.1. Employment development

As of 31 December 2023, the Schaltbau Group employed a total of 2,899 people, the majority of whom were between 30 and 50 years old. The main personnel-related topics include the recruitment of junior staff, vocational and further training opportunities, occupational health and safety, and equal opportunities.



In the year under report, the largest share of people recruited were between 30 and 50 years of age (51%), followed by the under 30 year olds (42%) and over 50 year olds (7%). The percentage of women among those new recruits, however, again decreased slightly from 28% to 26%.





Employee fluctuation during the year under report was 11.4% and therefore slightly lower than the previous year's level (12.0%). The figure also takes short-term, fixed-term employment contracts into account.

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.

One incident of discrimination and two allegations of bullying were notified during the year under report. The incidents were taken up, investigated and dealt with by the responsible Compliance Officer. Further information is available in Chapter 6.1 under RESULTS | TARGETS.

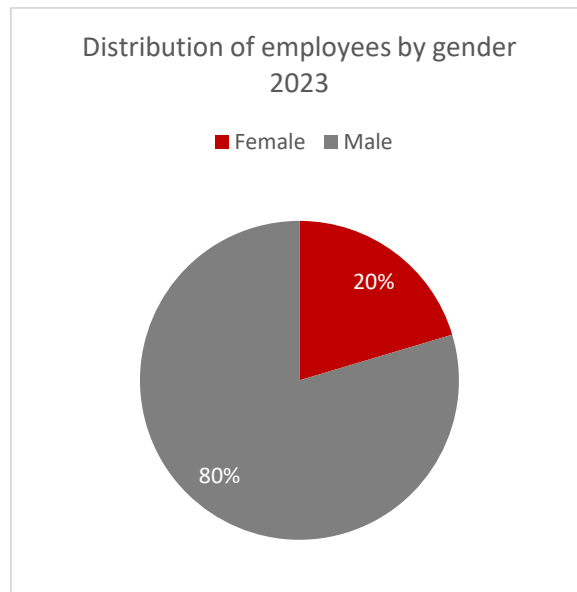
The Schaltbau Group's remuneration system is performance-oriented and clearly structured, with the aim of being accountable and transparent for all employees. Employees are remunerated according to their skills, professional experience and individual performance and grouped by function. The German lead companies (Schaltbau GmbH, Pintsch GmbH and Bode – Die Tür GmbH) as well as Schaltbau Holding AG participate in collective bargaining agreements. The proportion of employees paid according to collective bargaining agreements within Germany is 93%. Across the organisation as a whole, 59% of all Schaltbau Group employees are paid according to collective bargaining agreements.

The Schaltbau companies based in Germany have the necessary structures in place 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

As of December 31, 2023, the distribution of employees by gender remained unchanged compared to the previous year. The proportion of female employees was 20%. 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.



Schaltbau GmbH and Pintsch GmbH regularly hold open days for young women (Girls' Day) and men (Boys' Day) to give them an insight into the company and help break down typical gender bias when choosing a career path. As a co-determined company, Schaltbau Holding AG is subject to the "Act on the Equal Participation of Women and Men in Executive Positions in the Private Sector and the Public Sector" (FüPoG) and the "Act to Supplement and Amend the Regulations on the Equal Participation of Women and Men in Executive Positions in the Private Sector and the Public Sector" (FüPoG II).

On 20 February 2023, the Supervisory Board set a target for its own composition of 0% women by December 31, 2025, as the incumbent Supervisory Board at that time consisted of five men who were either elected or appointed by the court until the end of the Annual General Meeting in 2026. As of 31 December 2023, the Supervisory Board still consisted of five men, which corresponded to an actual share of 0% of women at the end of the reporting period.

Likewise on 20 February 2023, the Supervisory Board set a target of 0% of women for the Executive Board to be achieved by 31 December 2025, as the incumbent Executive Board at that time comprised two men who have been appointed beyond 31 December 2025 and there was no intention to increase the size of the Executive Board in the interim period. As of 31 December 2023, the Executive Board still consisted of two men, which corresponded to an actual share of 0% of women at the end of the reporting period.

Due to the currently still very low proportion of women in STEM professions, targets for management levels 1 and 2 below Executive Board level that are above the general proportion of women employed in STEM professions are also realistically hardly achievable. For this reason, on 14 February 2023 the Executive Board set a target of 0% of women to be achieved by 31 December 2025 for management level 1 (managing director level of direct segment subsidiaries) and a target of 10% of women to be achieved by 31 December 2025 for management level 2 (middle management; employees who report directly to the managing directors of the segment companies of Schaltbau Holding AG). At management level 1, the proportion of women as of 31 December 2023 was 0% and at management level 2, the proportion of women was 22.5% (31 December 2022: 8.6%).

Even though Schaltbau Holding AG is striving to increase the proportion of women in the Group in general, professional qualifications and industry experience are always given priority when appointing members to the Executive Board and the Supervisory Board as well as other management positions within the Company.

Dialogue with employees is sought in order to promote equal opportunities within the Group. For this reason, a number of Schaltbau Group companies conduct surveys and hold meetings with staff to discuss their workplace situation, including the psychological workload and their general level of satisfaction. Schaltbau 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 lead companies and Schaltbau Holding AG as well as some of the foreign companies within the Schaltbau Group have an employee representative body (known as a works council in Germany), a youth representative body (at the lead companies) and, in some cases, a representative for the severely disabled to look after employee interests. By strengthening the rights of its employees, the Schaltbau Group aims to become 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 remote working 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. This generous interpretation remained relevant in fiscal year 2023. The Group works agreement on remote working was terminated at the end of 2023. New works agreements regarding remote working are currently being concluded with the various Schaltbau Group companies. For Schaltbau GmbH, the new agreement came into effect as of 1 January 2024. It allows employees to work remotely for up to 50% of their working time if the type of work is suitable, subject to agreement with their line manager. In order to foster a good team spirit, however, managers are encouraged to organise one team day per week on which all team members are present. At PINTSCH GmbH, a works agreement was concluded that corresponds to the previous provisions of the Group works agreement, which enables employees to work remotely on up to two days a week in consultation with their line manager.

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.

Together with Schaltbau Holding AG, Schaltbau GmbH has implemented a coordination unit for occupational health and safety which, with the participation of the works councils and the company doctor, centrally coordinates the duties and contents of occupational health and safety and reconciles them between the individual companies. All relevant topics are addressed, followed up and recorded at regular meetings.

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 events 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 contingency planning. Bode – Die Tür GmbH also employs state-certified health managers.

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. Three of the Group's six main manufacturing companies are certified in accordance with ISO 45001 or a comparable standard for occupational health and safety.³

MEASURES | TARGETS

All Schaltbau 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.

The setting of specific targets and the monitoring of KPIs, such as the injury rate, are done at subsidiary level. For example, Bode – Die Tür GmbH works continuously on developing occupational health and safety concepts with the aim of reducing work-related accidents. Concrete measures included initiating prevention and information campaigns to raise awareness and educate employees, as well as rigorously investigating any accidents that occur and implementing the resulting protective measures to mitigate the risk of further accidents.

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

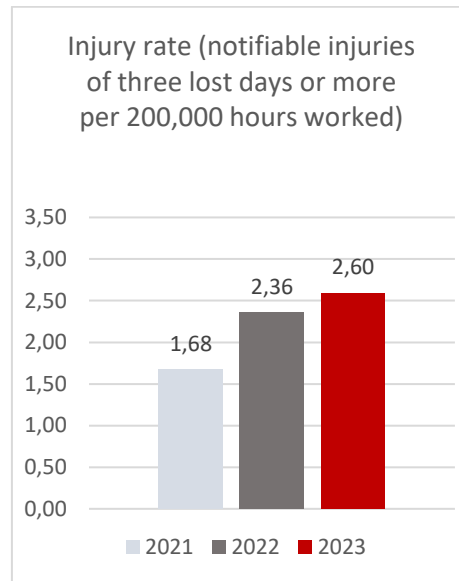
In 2023, Schaltbau Holding AG, Schaltbau GmbH and Pintsch GmbH offered their employees the opportunity to be vaccinated. In 2023, employees of Bode – Die Tür GmbH were asked to visit their general practitioners for a flu vaccination.

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

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

RESULTS

The key figures on notifiable employee injuries are recorded on a Group-wide basis. The injury rate (LTIFR: Lost Time Injury Frequency Rate) was 2.60 in the year under report, compared with 2.36 one year earlier.



The slight increase in working hours (2%) compared to fiscal year 2022 with a simultaneous increase in the number of work-related accidents of 12% year on year resulted in a further increase in the injury rate. However, it should be noted that the proportion of commuting accidents, i.e. those occurring on the way to or from work, which are largely outside the employer's sphere of influence, was 29% in 2023. Schaltbau Group companies work proactively to optimise their processes with the aim of improving their occupational health and safety record. The "Bode-Vision-Zero" concept enabled a further reduction in the number of notifiable work-related injuries at Bode – Die Tür GmbH in fiscal year 2023. Compared to fiscal year 2022, the number of notifiable work-related injuries in the Bode Group decreased by an additional 5%. Taking commuting accidents into account, an overall reduction of 10% was achieved.

In the year under report, the injury severity rate⁴ (LTI: Lost Time Injury Severity Rate) was also surveyed for the third time and rose from 54.7 in 2022 to 62.0 in 2023, which means, the average time lost per 200,000 working hours was 62 days.

⁴Number of days of absence due to injuries multiplied by 200,000 in relation to the total number of hours worked

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 level of 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.

For example, the first concrete steps have been taken at Bode – die Tür GmbH, as part of a new management development programme. The first workshops for managers in Kassel began in January 2024. Furthermore, in December 2023 an initiative was launched to promote cultural understanding and thus the change to One Bode – One Culture. The initiative will be continued throughout 2024.

MEASURES

In addition to the further training of employees through a wide range of courses, most Group companies within 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 a practical semester, which is also possible in the context of student research projects or 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 year under report. In order to provide apprentices with ideal vocational training conditions, Bode – Die Tür GmbH has its own training workshop, for which it has received a great deal of local recognition. In 2022, the first 2-day meeting of all apprentices of Schaltbau GmbH, Pintsch GmbH and Bode – Die Tür GmbH took place in Velden. In addition to the networking opportunities among apprentices within the Group, a further aim was to exchange information on current topics and learn from one another. Furthermore, the participants learned to take responsibility for the organisation, the budget and their fellow apprentices.

In order to gain first- and second-level managers for the Schaltbau Group, the recruitment process for the selection procedure has been improved to ensure that the right managers are selected in accordance with HR strategy. Moreover, the recruiting process was digitalised in order to ensure an efficient, data protection-compliant process. Resources were also established and implemented exclusively on the topics of recruiting and employer branding. Skilled specialists and managers are trained according to their individual needs. Again in 2023, Schaltbau GmbH held further workshops to develop strategies and also to strengthen team spirit.

AIMS | RESULTS

With the aim of promoting employee loyalty, the corporate culture is also to be modernised as part of the digitalisation 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. Employees are to be involved in the workflows by being given a greater degree of personal responsibility and similarly, managers are to be empowered in their leadership responsibilities.

In order 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 rolled out in 2020. Further key modules were launched during fiscal year 2023 and the process will be continued in the coming years, depending on the priorities of the Schaltbau companies involved.

In July 2020, in order to protect employees' personal rights a framework Group works agreement was concluded for "digital HR" which, among other things, regulates the processing of employee-related and obtainable data and analyses as well as performance or behavioral checks. Regarding the use of the various modules of Loga All-In, it is further stipulated that specific company agreements are concluded for this purpose in each case.

5.5. Human rights and the supply chain

ORGANISATION, POLICIES AND PROCESSES

The Schaltbau Group is aware of its corporate responsibility to respect human rights and environmental standards and is committed to upholding human rights, such as the prevention of child labour and forced labour, the right to fair payment and the ban on the import and export of certain hazardous wastes as well as the use of certain chemicals.

As of 1 January 2024, the Schaltbau Group is subject to the German Supply Chain Due Diligence Act (LkSG). In order to meet the requirements of the LkSG, the due diligence obligations of the LkSG were implemented in 2023 with the support of an auditing company, the organisational framework was created and the first preventive and corrective measures were implemented.

For this reason, the Schaltbau Group has established a human rights strategy, both within its own sphere of business and with its direct suppliers. Accordingly, the Schaltbau Group expects both its employees and its suppliers to avoid human rights and environmental violations and, if they occur, to put an end to them without delay. This commitment is enshrined in the Code of Conduct and applies to all Schaltbau Group employees and business partners. Regular training sessions on the contents of the Code of Conduct are held for employees and, in future, also for suppliers on a risk-based footing.

The "Policy on the implementation of the Supply Chain Due Diligence Act in the Schaltbau Group" is currently being finalised, which describes in particular the main due diligence obligations arising from the Supply Chain Due Diligence Act and how these are to be implemented within Schaltbau Group companies. This policy document is based on the results of the project on the LkSG in 2023 and is intended to provide the companies of the Schaltbau Group with a clear guideline that enables them to handle the obligations arising from the LkSG.

With effect from 1 January 2024, a Human Rights Officer was appointed for the Schaltbau Group who is responsible in particular for the following tasks:

- Monitoring the implementation of human rights due diligence by Schaltbau Group companies and their suppliers
- Monitoring the current risk management system in order to identify and mitigate any human rights and environmental risks
- Developing recommendations for strategies and measures to be introduced
- Deriving measures from the regularly performed risk analysis
- Reviewing the complaints procedure and the preventive and corrective measures at least once a year
- Advising the companies of the Schaltbau Group regarding possible measures to improve due diligence obligations in line with the LkSG

For their part, the various segments of the Schaltbau Group are required to appoint a Human Rights Officer to support the Schaltbau Group's Human Rights Officer in the performance of his or her duties.

The human rights officers of the various segments report to the Schaltbau Group's Human Rights Officer, who in turn has a monitoring and controlling function.

The Schaltbau Group's Human Rights Officer reports directly to the Executive Board of Schaltbau Holding AG, which has overall responsibility for the implementation of and compliance with the LkSG throughout the Schaltbau Group.

The Schaltbau Group's Human Rights Officer and those of the individual segments are responsible for reviewing the effectiveness of the human rights strategy set out below as defined in the LkSG.

MEASURES | TARGETS | RESULTS

The Schaltbau Group attaches great importance to identifying human rights and environmental risks, both in its own business operations (see i.) and at direct suppliers (see ii.), and to identifying violations of LkSG-related due diligence obligations at indirect suppliers (see iii.) as well as implementing appropriate measures to mitigate these risks. For these reasons, in 2023 the Schaltbau Group conducted a risk analysis both within its own sphere of business and at its direct suppliers, involving relevant functions of the individual segments such as compliance, risk management, purchasing, legal affairs and ESG. Any risks identified were analysed in terms of their severity and probability of occurrence.

The results of the risk analyses are described below. In addition, the main preventive measures are set out in the Declaration of Principles, which is available on the Schaltbau Holding AG website.

i. Risk analysis of our own sphere of business

The aim of the risk analysis of the Schaltbau Group's own sphere of business was to identify companies within the Schaltbau Group and to filter out areas of the LkSG that are exposed to particular risks for the Schaltbau Group as a whole or for a specific company. The risk analysis of 24 Schaltbau Group companies impacted by the requirements of the LkSG revealed the following risk situation:

- Overall, the companies of the Schaltbau Group are not exposed to a great deal of risk.
- The following individual risks were identified as slightly higher risks, which were finally classified as a priority for the Schaltbau Group:

a) Child labour

The Schaltbau Group prohibits child labour in general. However, as the Schaltbau Group wishes to give children and young people the opportunity to get to know various occupations at an early age, some Schaltbau Group companies offer internships and apprenticeships, which are permitted by law in many countries but are subject to strict regulations (e.g. regarding the handling of hazardous products and maximum daily working hours).

b) Disregard for freedom of association

The Schaltbau Group respects the right of employees to freedom of association, to join trade unions, to appeal to labour representatives or to join works councils in accordance with locally applicable laws. At certain Schaltbau Group companies, however, freedom of association is restricted, not officially acknowledged or in some cases even prohibited or sanctioned in accordance with the legal systems applicable in the respective countries.

c) Unequal treatment

The Schaltbau Group actively practises diversity and therefore encourages respectful cooperation in a spirit of partnership and stands for the recognition and appreciation of all people, regardless of national and ethnic origin, social background, health status, disability, sexual orientation, age, gender, political opinion, religion or belief. As compliance with its human rights strategy is a top priority for the Schaltbau Group, it responds to any violations and takes appropriate measures to detect and remedy them. Violations are not tolerated; in fact, they are rig-

ously pursued and may result in legal consequences, including the termination of employment and/or business relationships. Within the Schaltbau Group, there is a risk of inequality in the form of a gender pay gap.

Based on the analysis carried out and the results mentioned above, the following preventive measures have been defined for 2024:

- a) Child labour
 - Mandatory written agreements with interns or student interns, with specified minimum content
 - Information paper for all internship supervisors containing the most important regulations, including Working hours, employer obligations
- b) Disregard for freedom of association
 - Provision of information material regarding freedom of association, which is distributed to all Schaltbau Group companies
 - Amendment of the Schaltbau Group's Code of Conduct on the topic of "Rights of assembly and employee rights"
- c) Unequal treatment
 - Provision of information material based on legal requirements
 - Appointment of representatives for unequal treatment in each Schaltbau Group company (e.g. representatives for severely disabled employees, equal opportunities officers), who are available within the workforce in an advisory capacity and can be consulted in confidence

If human rights or environmental obligations are violated, the Schaltbau Group rigorously initiates the appropriate corrective measures without delay. Care is taken to ensure that the corrective measures taken in the Schaltbau Group's own sphere of business generally lead to an end to the violation.

ii. Risk analysis of direct suppliers

The aim of the risk analysis of direct suppliers was to identify risks in the Schaltbau Group's supplier portfolio with regard to human rights and environmental protection. For this reason, an abstract risk assessment was carried out in relation to country- and sector-specific risks. Various human rights and environmental indices were used in the course of this analysis, such as the Children's Rights in the Workplace Index, the Political Freedom Index and the Environmental Performance Index. The assessment resulted in the following risk situation:

- The human rights risk within the Schaltbau Group's supplier portfolio is considered moderate due to the preventive measures in place overall.
- Suppliers from the metal-producing and metalworking industries as well as from the electronics industry based in China have been identified as a priority risk in the Schaltbau Group's supply chain. The inherent level of risk is attributable to the location and the industry. The types of risk to which the Schaltbau Group is primarily exposed in relation to these direct suppliers include: occupational health and safety, child labour, low skills, labour migration, lack of transparency in supply chains, conflict minerals and labour recruitment.
- Other countries with an increased human rights and environmental risk in which Schaltbau Group companies purchase directly are Poland, Taiwan and Spain.

Based on this analysis, the following preventive measures were defined:

- Code of Conduct for Business Partners

With the aim of involving business partners more closely in the concept of responsible action, in 2023 Schaltbau GmbH developed a Code of Conduct for Business Partners for its suppliers. The code defines

the due diligence obligations enshrined in the LkSG with regard to environmental, social and employee issues and respect for human rights as well as other compliance requirements, including the fight against corruption and bribery. As early as 2023, the Schaltbau Group began asking its most important suppliers to comply with this Code of Conduct for Business Partners. The aim for 2024 is for all new suppliers that exceed a defined planned purchasing volume and existing high-risk suppliers⁵ to acknowledge the contents of the Schaltbau Group's Code of Conduct for Business Partners. It is also planned that all existing suppliers above a defined order volume will be required to accept the contents of the Schaltbau Group's Code of Conduct for Business Partners on a risk-oriented basis by 2027.

- Selecting suppliers

When selecting new suppliers that exceed a defined planned purchasing volume, as of 2024 it will be mandatory to additionally take aspects relating to human rights and environmental protection into account. Furthermore, the Schaltbau Group requires these suppliers to provide a risk-related supplier self-disclosure, which includes information on human rights and environmental risks as well as the management processes in place in this regard.

Furthermore, to the extent possible, Bode North America, Inc. gives preference to suppliers certified in accordance with the Disadvantaged Business Enterprises (DBE) programme. The certification is issued by the US Department of Transport with the aim of levelling the playing field for smaller businesses owned by socially and economically disadvantaged individuals.

- Further measures for high-risk suppliers and those covered by the EU Conflict Minerals Regulation (EU 2017/821), including:
 - Agreement of special contractual clauses or acceptance of the Schaltbau Group's terms and conditions of purchase as amended at the beginning of 2024
 - Obligation of the supplier to immediately investigate any suspicion of a violation of the LkSG and, if necessary, to take appropriate corrective and preventive measures in consultation with the Schaltbau Group
 - Obligation of the supplier to ensure that the regulations contained in this clause are also observed and complied with by its subcontractors, insofar as the regulations are applicable
 - Training and education on human rights and environmental risks
 - Suppliers who fall under the above-mentioned EU Conflict Minerals Regulation are required to provide appropriate guarantees of origin for the minerals
 - The effectiveness of the established measures will be reviewed through regular and ad hoc risk-related audits

Should the Schaltbau Group find itself in a situation in which it is unable to effectively put an end to violations of obligations under the Code of Conduct for Business Partners in the foreseeable future, particularly violations of human rights or environmental obligations committed by a direct supplier, it is required to draw up a plan designed to either minimise the extent of or put an end to the violations. A plan of this nature must also be supplemented by a definite timetable. In a case of this type, the Schaltbau Group may suspend the business relationship, at least temporarily, in order to mitigate the risk. In the event of serious violations of human rights or environmental obligations, if the implementation of the measures defined in the plan fails to rectify the situation after the specified period has expired, if the Schaltbau Group has no more moderate means at its disposal or is unlikely to be able to exert greater influence, it is entitled to terminate the business relationship completely in consultation with the Executive Board of Schaltbau Holding AG.

⁵All suppliers from a high-risk country or those that operate in a high-risk sector as well as suppliers who mine minerals that fall under the EU Conflict Minerals Regulation (EU 2017/821)

To raise awareness among managers who are responsible for employees engaged in purchasing activities, the Schaltbau Group holds in-house training courses that also focus on the high-risk areas identified above.

In addition, separate regulations stipulate compliance with ethical principles when procuring raw materials, including the handling of conflict minerals.

iii. Indirect suppliers

Schaltbau Group companies use suitable procedures (including press screening) to ensure that violations of LkSG-related due diligence obligations by indirect suppliers can be identified. Information relating to human rights and/or environmental risks and violations at an indirect supplier can be reported at any time via the Schaltbau Group's complaints system.

If there is substantiated evidence of violations at indirect suppliers, the Schaltbau Group will respond without delay and conduct a risk analysis, establish preventive measures, draw up a plan to prevent, terminate or minimise violations and then implement it.

COMPLAINTS PROCEDURE

The Schaltbau Group is convinced that an effective complaints management system is an essential part of identifying and avoiding human rights and environmental risks and violations. For this purpose, the Schaltbau Group has introduced a suitable complaints procedure that also records any supply chain-related reports from suppliers and other persons who may be affected by the supply chain. The complaints channel is accessible for internal, external, public and anonymous reports. The Schaltbau Group's effective complaints management system ensures that any report of possible human rights violations or breaches of environmental obligations is dealt with using a standardised procedure. Within this procedure, the confidentiality or anonymity of the whistle-blower is especially protected. The effectiveness of the Schaltbau Group's complaints management system is reviewed annually and also on an ad-hoc basis if a significant change or deterioration in the risk situation is identified that could jeopardise the functionality of the complaints procedure. Furthermore, any reports received by the Schaltbau Group via the complaints procedure that are relevant to its own business operations are also included in the risk assessment. The details of the complaints procedure have been published in the rules of procedure on the Schaltbau Holding AG website.

OUTLOOK

The Schaltbau Group is aware that the implementation of the human rights and environmental due diligence obligations enshrined in the LkSG in its own business activities as well as in its supply and value chains is an ongoing process. The Schaltbau Group accepts this challenge and, by means of a risk analysis, regularly reviews the strategic approaches and measures taken in the course of its business activities with the aim of continuously improving them.

The risk analysis is performed both annually and on an ad-hoc basis in the event of significant changes to, or a deterioration of, the risk situation within the supply chain as well as within the Schaltbau Group's own sphere of business. When the risk analysis is repeated at regular intervals, the risks identified in the previous year in particular are reviewed for relevance and accuracy.

To determine the effectiveness of the corrective measures taken, the Human Rights Officer of the Schaltbau Group conducts an audit once a year and also on an ad-hoc basis as required.

Moreover, in 2024, three different target groups will receive training on LkSG-related topics, in which content relevant to each respective group will be communicated in a suitable manner. These training courses are to be repeated regularly in subsequent years (at least every three years).

Furthermore, the introduction of an IT tool is planned for 2024 to support the specialist departments of the Schaltbau Group companies in their operational activities as defined in the LkSG, including the implementation of preventive measures at suppliers.

5.6. Social commitment

Again in fiscal year 2023, no common targets or measures were defined at Group level with regard to social commitment. However, voluntary social commitment is practised at subsidiary level on an individual basis. Apart from civil protection activities, our employees are involved, for example, in social institutions, internally organised fundraising campaigns and sponsorships abroad. Pintsch GmbH purchases products and services (such as the maintenance of its 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).

6. COMPLIANCE

6.1. Compliance with laws and policies

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. With the introduction of the German Supply Chain Due Diligence Act (hereinafter referred to as LkSG), suppliers are now also required to comply with the principles of the Schaltbau Group's Code of Conduct for Business Partners.

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 key risks identified currently include the fields of data protection, corruption prevention, antitrust, customs law and export control, sustainability (ESG), compliance in the supply chain in accordance with the LkSG, IT security, cyber fraud and whistleblower protection.

The Schaltbau Group's Code of Conduct for Business Partners is designed to heighten awareness of compliance issues in particular. In addition to the Code, policies are implemented regarding individual compliance fields via an introductory process coordinated with the Group's companies. The Schaltbau Group closely monitors regulatory developments and responds to legislative initiatives in a proactive manner. 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. Policies for each compliance field are reviewed annually in order to take account of any changes in the law and/or internal processes and updated every four years at the latest. Accordingly, eight policies were amended, one new policy was issued and one policy was discontinued during the year under report.

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, Pintsch and Schaltbau GmbH Group segments each have compliance officers and compliance representatives who are responsible for their local units. As part of their compliance activities, they report directly to the Group Compliance Officer of the Schaltbau Group.

Any suspected violations of compliance regulations can be reported to the compliance officers of the relevant companies or anonymously via the whistle-blower system. Incoming reports are processed promptly in accordance with the Whistle-blower Protection Act (hereinafter: HinSchG) introduced in 2023. If compliance violations are identified, their causes and effects will be analysed and addressed and sanctions imposed on those responsible if deemed appropriate.

MEASURES

All Schaltbau employees are required to adhere to Group compliance policies. With the introduction of new policies or at regular intervals, employees are trained in compliance topics, either in face-to-face training sessions or via e-learning formats. Training courses in the fields of corruption prevention, antitrust law, IT security, data protection and anti-money laundering are provided for the employees concerned every three years on a world-wide basis.

The training courses for 2023 focused on the topics of 'corruption prevention' and 'IT security'.

The courses were completed by employees of the Schaltbau Group as follows:

Training	Participating employees	Training completed	Percentage
Anti-corruption	895	863	96%
Code of Conduct / Compliance for new employees and catch-up training	392	324	83%
IT security	288	264	94%

In 2023, all employees of the Schaltbau Group who are exposed to a higher risk of corruption due to their function, especially in the areas of sales and purchasing as well as all managers, but also employees in the field of finance who could be indirectly involved in acts of corruption by arranging the corresponding bookings (e.g. donations or sponsoring), received an invitation to the general corruption prevention training.

In isolated cases, the Group Compliance Officer conducted special training courses for individual employees of the lead companies (e.g. new managing directors or C-level executives, new compliance officers, employees who attend association meetings or work at trade fairs). Employees who did not have the opportunity to attend these face-to-face courses will be provided with the training, if available, via the respective training portals of the Schaltbau Group's lead companies. Corruption prevention and IT security training is generally provided via these portals and has an automated monitoring and escalation process, which is intended to subsequently increase the compliance rate.

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. Bode – Die Tür GmbH was audited in 2023, as the audit scheduled for 2022 had to be postponed due to restructuring and integration measures. The audit focused on general controls as well as customs and export control law. Two of the Schaltbau Group's foreign companies were also audited. At Schaltbau India Pvt. Ltd. an initial audit was carried out focusing on the introduction of an ERP system and IT security and at SPII S.p.a. a regular periodic audit was performed.

REVISING THE WHISTLE-BLOWER SYSTEM

Based on EU Directive 2019/1937, in fiscal year 2020 Schaltbau Holding AG reformed the whistle-blower system used within the Group and activated it under the following link:

<https://www.bkms-system.com/schaltbau>

. In 2022, the whistle-blower system was expanded to include additional languages, so that all employees within the Schaltbau Group now have the opportunity to submit information anonymously. The whistle-blower system is therefore available in German, English, French, Italian, Polish and Chinese. Confidentiality requirements are respected, taking into account the provisions to protect potential whistle-blowers in accordance with the Whistle-blower Protection Act, e.g. by means of secure reporting channels and a reliable point of contact. A systems provider that offers technical support for the web-based system on the basis of https-encrypted connections is employed for this purpose. 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 fixed deadlines, enabling whistle-blowers to report both anonymously and confidentially. The system is available to both internal and external stakeholders. Against the background of the Whistle-blower Protection Act enacted in 2023, the relevant guidelines, internal processes and the whistle-blower system were adapted to ensure that any whistle-blowers within the Schaltbau Group are protected and that the legal requirements (especially the individual deadlines) can be met. In addition, the reporting categories within the whistle-blower system have been adapted and expanded to include the topics relevant to the LkSG, making it easier for whistle-blowers to assign their reports. The whistle-blower system is therefore compliant with both the Whistle-blower Act and the LkSG.

RESULTS | TARGETS

No internal cases of corruption were detected in fiscal year 2023.

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 fiscal year 2023. The Schaltbau Group remains committed to avoiding any cases of corruption.

In fiscal year 2023, a total of five relevant cases of non-compliance were identified via the external, anonymous whistle-blower system, based on information received by telephone, e-mail, in personal discussions and via the Internal Control System. One case concerned an allegation of unjustified enrichment and bullying, which was reported by an employee in two separate cases. However, following the conclusion of the preliminary investigation conducted internally by Compliance, the allegations made turned out to be incorrect. A further case involved an allegation of discriminatory remarks being made (violation of the Equal Treatment Act, AGG). Discrimination of any kind is not tolerated within the Schaltbau Group. As part of the preliminary investigation by HR, initial measures were introduced together with Compliance to prevent any such misconduct in the future (including AGG training for all managers). Another report concerned an employee who had made massive threats against colleagues. Immediate disciplinary action was taken, which led to the employee being dismissed without notice. Another report also relates to allegations of bullying. This case is currently being investigated by Compliance. A case reported back in 2022 was closed in 2023 following a preliminary investigation conducted by Compliance, as the allegations made were not substantiated.

6.2. Data protection and IT security

ORGANISATION, POLICIES AND PROCESSES

The Group Compliance Officer and the segment compliance officers are responsible for data protection. In fiscal year 2022, the German companies of the Schaltbau Group outsourced the work of the Data Protection Officer to MAGELLAN Rechtsanwälte, a Munich-based law firm. On 1 January 2024, GDPC GbR – Datenschutz Consulting, Kassel, took over the role of external Data Protection Officer for the German companies of the Schaltbau Group. The IT departments of Schaltbau Holding AG and its three segment lead companies are generally responsible for IT security issues. The function of the Data Protection Officer has been located outside the IT department, as that person 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). The IT security strategy mainly involves developing security expertise and similar activities.

MEASURES | RESULTS | TARGETS

Again in 2024, to take account of legal developments and technological progress, the Schaltbau Group is planning to revise a large number of its corporate policies. In order to mitigate the IT security risk and prevent the Schaltbau Group's networks from being penetrated, or at least hamper any attempts to do so, various preventive measures have been or are being implemented throughout the Group (including standardised network structures and multi-factor authentication). In addition to the regular training courses on IT and information security (see table above), further measures are planned for 2024, including more intensive training for Schaltbau Group employees. The topic of data protection is also part of general compliance training and, in some cases, general audits (internal audits), as described under 6.1. Specific objectives will be derived from the results of the general audit (internal audit) and the audit of the financial statements.

RISKS

The main risk in relation to data protection and IT security is cyberattacks on the Schaltbau Group. This risk is described in detail in the Risk Report, which is part of the Combined Management Report for Schaltbau Holding AG and the Group for 2023.

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). Schaltbau GmbH is also a member of bayme vbm (employers' association of the metal and electrical industry in Bavaria), the NA 087 Standards Committee for Track and Rail Vehicles and the International Association of Public Transport (UITP) with around 3,400 members worldwide.

As a member of the industry working group "Legally compliant environmental management in the electronics industry", Schaltbau GmbH is committed to implementing RoHS, REACH and other environmental requirements and prepares itself accordingly for the development and manufacturing of legally compliant products. Furthermore, Pintsch GmbH is a supporting member of "Allianz pro Schiene e.V." (an organisation dedicated to promoting safe, eco-friendly railway transportation) and Bahntechnik NRW e.V.

Bode – Die Tür GmbH is a member of the BPM (German association of personnel managers), the BME (German association for materials management, purchasing and logistics), the DGQ (German association for quality), DIN e.V. (German institute for standardisation) and the VDSI (German association for safety, health and environmental protection), among others. Bode – Die Tür GmbH is also a member of NWB e.V. (an association for the standardisation and further development of the railway industry), MoWiN.net e.V., Mobilitätswirtschaft Nordhessen Netzwerk and the International Monorail Association.

Schaltbau Group subsidiaries also participate in numerous association activities in other countries. 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.

LEGAL NOTICE

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