

SUSTAINABILITY REPORT 2023

FISCAL 2022 RESULTS



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ABOUT THIS REPORT

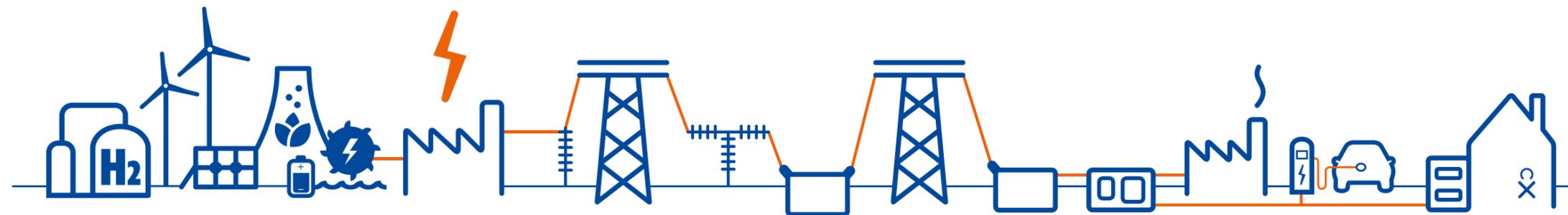
THE SGB-SMIT GROUP SUSTAINABILITY REPORT: THE WHO AND THE WHY

Sustainability is the result of a collective effort at SGB-SMIT Group, involving customers, employees, stakeholders, suppliers, and partners. This Sustainability Report presents SGB-SMIT Group's sustainability strategy and endeavors to date, their outcomes, and the ways in which sustainability shapes the future of the group.

The report covers all group companies worldwide, including wholly owned and majority-owned subsidiaries. All data of this report relates to the financial year 2022. Data is collected through internal reporting systems from the different locations. The content has been compiled with the United Nations Sustainable Development Goals (SDGs) as main guidance and in accordance with the standards of the Global Reporting Initiative (GRI), applying the "Core" option.

Corporate Social Responsibility (CSR) is a fundamental area at SGB-SMIT Group. Its global members demonstrate corporate sustainability through various aspects such as forward-looking actions and economic management, responsibility towards employees, job security, environmental protection, and compliance. As a global leader, SGB-SMIT Group's also recognizes that the supply of energy is one of the most important topics globally, especially the supply of clean energy

coming from renewable sources. The energy transition poses large challenges for power generation as well as for the transmission and distribution networks. As a response to this, SGB-SMIT Group develops products and services for energy generation, transmission, and distribution, capable of meeting present and future challenges.



CONTRIBUTION TO THE UN SDGs

SGB-SMIT Group has made a firm commitment to the 17 United Nations' Sustainable Development Goals (SDGs), which are outlined in the Agenda 2030. Acknowledging that both countries and companies share responsibility for advancing these goals, SGB-SMIT Group has identified the extent to which it can contribute to each goal:



Fundamental principles

These SDGs are imperative for SGB-SMIT Group and constitute the basis of all its corporate activities. Without supporting these, sustainable practices would not be feasible.



SDG 16: Peace, Justice and Strong Institutions

SGB-SMIT Group understands this goal as enabler and the basis of an environment for sustainable development and economic growth since it aims for transparent and accountable governance systems.



SDG 17: Partnerships for the Goals

Sustainability requires cooperation. Strengthening strategic partnerships for sustainable development is the approach of SGB-SMIT Group to sustainability. The group recognizes that achieving all SDGs requires strong collaboration and partnerships across different sectors and stakeholders.

Considerable influence

SGB-SMIT Group has a strong influence on these SDGs – and can incorporate them in its daily operations:



SDG 3: Good Health and Well-being

An SDG, promoted at each site across the world with initiatives that go beyond ensuring a safe workplace like the implementation of flexible work policies and the encouragement of health habits. SGB-SMIT Group contributes actively to this goal supporting a healthier world for all.



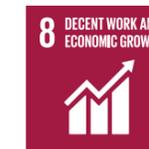
SDG 5: Gender Equality

SGB-SMIT Group advocates for a work environment where everyone is treated fairly and has equal opportunities, regardless of their gender. Diversity, equality, and inclusion are high priorities at SGB-SMIT Group.



SDG 7: Affordable and Clean Energy

One fundamental concern of SGB-SMIT Group as a partner for energy generation, transmission, and distribution. Its products and services are contributing to making energy cleaner yet affordable.



SDG 8: Decent Work and Economic Growth

The innovative capability of SGB-SMIT's businesses across the world not only stimulates economic development but also makes it possible to create and maintain decent jobs that are fit for the future. In this respect, the responsibility of the group to protect human rights covers its entire value chain.



SDG 9: Industry, Innovation and Infrastructure

Sustainable industrialisation, innovative technology, and resilient infrastructure are topics which SGB-SMIT Group helps to shape through its participation in the energy sector. Its activities focus primarily on energy infrastructure, the basis of the safe and sustainable supply of energy.



SDG 12: Responsible Consumption and Production

SGB-SMIT Group is both a consumer and a producer – and focuses on sustainability in both roles, developing products with high energy efficiency, testing, and using alternative materials, conserving materials and commodities, and taking steps to save energy at every site.



SDG 13: Climate Action

SGB-SMIT Group is taking climate protection action and continuously reducing its carbon footprint, both in terms of the value chain and finished products. The target is to achieve carbon neutrality across the group by 2035 for Scope 1 and 2 and by 2050, for Scope 1, 2 and 3.

Moderate influence

From corporate perspective we promote these SDGs, but there is a moderate influence on their achievement. For instance, by creating decent jobs that are fit for the future at our sites across the world and therefore having a positive influence on overall local economic development:



SDG 4: Quality Education



SDG 6: Clean Water and Sanitation



SDG 10: Reduced Inequalities



SDG 11: Sustainable Cities and Communities

Influence

For these SDGs the SGB-SMIT has identified no direct opportunities of having a direct effect as a result of its operations. Nevertheless, its responsibility shall when possible be guided by them.



SDG 1: No Poverty



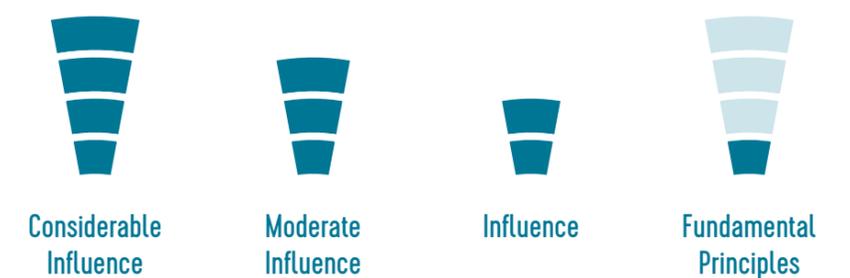
SDG 2: Zero Hunger



SDG 14: Life Below Water



SDG 15: Life on Land



EDITORIAL | CEO'S MESSAGE



Holger Ketterer
CEO – SGB-SMIT Group

“With resilience and determination we continue to work with our stakeholders to build a more sustainable future for all.”

2022 was marked by economic uncertainty, geopolitical tension, and the ongoing consequences of the COVID-19 pandemic. Nevertheless, these challenges did not affect our commitment to sustainability but reinforce it. We recognize that the challenges we face are complex, and that we cannot solve them alone. Therefore, we adapted to new ways of working and with resilience and determination we continue to work with our stakeholders to build a more sustainable future for all.

As we all know, the energy sector is critical to the functioning of our modern society, and the world is facing significant challenges in this area. There is an urgent need to transition to more sustainable forms of energy, such as renewables, to mitigate the impact of greenhouse gas (GHG) emissions on the environment.

As a leading transformer specialist, we recognize the importance of our role in supporting this transition. Our transformers are essential components in the energy sector, facilitating the efficient transmission and distribution of electricity. They play a critical role in integrating renewable energy sources into the grid and enabling the electrification of transportation. Our transformers bring the most ambitious energy projects into reality, most of them seeking ways to make our energy system cleaner. SGB-SMIT Group is actively part of this, working together with customers, suppliers, community, and government for the transformation of the future of energy.

We are committed to promoting sustainability in all aspects of our business operations. Our products and services are designed to enable

our customers to achieve their sustainability goals, continuously striving to improve the energy efficiency of our products.

We are actively working to reduce our environmental impact by optimizing our manufacturing processes, reducing waste, and promoting circular economy. We have set ambitious targets to reduce significantly our carbon footprint and increase the use of renewable energy sources in our operations.

Furthermore, we are also fully committed to equality and inclusion. We believe that diversity is critical to our success. We stand for equal pay for equal work and provide opportunities for everybody capable without regard of gender, nationality, or age to lead within the organization. This commitment is reflected in concrete actions. I am pleased to

EDITORIAL | CEO'S MESSAGE

announce that within the last year, we were thrilled to welcome three highly qualified women to our executive team. We are proud to say that women hold key leadership positions across the different entities of our group.

In line with our commitment to transparency and accountability, we have updated our Supplier Code of Conduct to align with international standards and best practices. This updated version includes new provisions on human rights, labor rights, environmental protection, and anti-corruption, ensuring that our suppliers uphold the same high standards that we do. We are committed to complying with the German Supply Chain Act, which requires

companies to identify and prevent human rights abuses and environmental violations in their supply chains. We believe that this legislation represents an important step forward in ensuring that businesses take responsibility for their impact on people and the planet.

To that end, we have started to take a proactive approach in engaging with our suppliers to identify any potential risks in our supply chain and to work collaboratively to address them. This includes conducting risk assessments and providing training and collaborating with our suppliers to implement best practices.

We believe that our commitment to ethical and responsible business practices is not only the

right thing to do but also essential for our long-term success. We are dedicated to creating value for all our stakeholders, including our customers, employees, suppliers, and the communities in which we operate. We believe in promoting sustainable practices in our supply chain and collaborating with our stakeholders to drive positive change across our industry.

SGB-SMIT Group recognizes the importance of the energy sector in addressing the challenges of the 21st century traced by the United Nations in the SDGs and commits itself to playing its part in supporting the energy transition.

Our Sustainability Report for the fiscal year 2022, reaffirms our commitment to

sustainability. We remain committed to sustainability and continuous improvement in all aspects of our business operations and look forward to continuing working with our stakeholders to build a more sustainable future.

*Sincerely,
Holger Ketterer
CEO – SGB-SMIT Group*

EDITORIAL | SUSTAINABILITY MANAGER'S MESSAGE



Marlies van Tilburg
Sustainability Manager – SGB-SMIT Group

**“Transforming together
the future of energy.”**

It is my pleasure to present our Sustainability Report for 2023. As Sustainability Manager, I am proud to report on the progress we have made towards achieving our sustainability goals.

SGB-SMIT Group acknowledges the importance of sustainability at the highest level and therefore each of its members is involved. As player in the energy sector, it is our responsibility to make the energy transition towards affordable and clean energy happen – our transformers will support this.

The energy sector is one of the biggest and with the highest emissions. This represents the urgency of a transition to clean energy. As sustainability requires collective efforts to maximize the creation of sustainable value, we follow a proactive approach with key players in the industry. We believe that sustainability is all about transforming together the future of energy.

Our strategy focuses on three pillars: Environment, Social and Governance (ESG). Through these pillars, we aim to create long-term value for all stakeholders while minimizing our impact on the planet. We translate these pillars into our GREEN program which stands for Governance, Responsibility, Equality, Employees and Net Zero.

We have taken concrete actions to reduce our environmental impact, such as reducing GHG emissions, improving our waste management practices, and increasing our use of renewable energy sources. As a result of these efforts, we have reduced our carbon footprint (Scope 1 and 2 per produced MVA) by 14% compared to 2020.

We have also continued to prioritize our Social responsibility commitments, focusing on employee welfare, community engagement, and ethical business practices. We have enhanced our employee training programs and increased our engagement

with the communities in which we operate. In terms of Governance, we are working to align with international standards and best practices, we aim to promote a culture of transparency, accountability, and responsible business conduct throughout our supply chain.

While we have made significant progress in our sustainability journey, we recognize that there is still much work to be done. We will continue to prioritize sustainability and strive to improve our sustainability performance.

I want to thank all our stakeholders for being transparent, innovative, and working with us in achieving our sustainability goals. Our commitment is unwavering, and we remain dedicated to creating a more sustainable future for all.

*Sincerely,
Marlies van Tilburg
Sustainability Manager – SGB-SMIT Group*

1.0

ABOUT SGB-SMIT GROUP



1.0 ABOUT SGB-SMIT GROUP

- 1.1 BRAND VALUES OF SGB-SMIT GROUP
- 1.2 SGB-SMIT AT A GLANCE
- 1.3 SGB-SMIT SITES
- 1.4 PRODUCTS
- 1.5 END CUSTOMER MARKET
- 1.6 SALES BY PRODUCTS 2022
- 1.7 SALES BY REGIONS 2022
- 1.8 CUSTOMER RELATIONS

SGB-SMIT Group consists of three sub-groups: SGB-SMIT Beteiligung GmbH, New Venture GmbH and Focus GmbH. SGB-SMIT manufactures transformers in all power classes and for a wide range of applications. The coordination of the largely independent global sites is managed by the group's headquarters located in Germany. The group has two main shareholders: One Equity Partners VI, L.P. and OEP VI Partners Co-Invest, L.P., together referred to as One Equity Partners.

SGB-SMIT's production facilities, service and sales sites are spread across the key markets of Europe, North America, Asia and South Africa. Over the last few years, SGB-SMIT has strengthened its involvement in growth markets, and increased its participation in the renewable energy market.

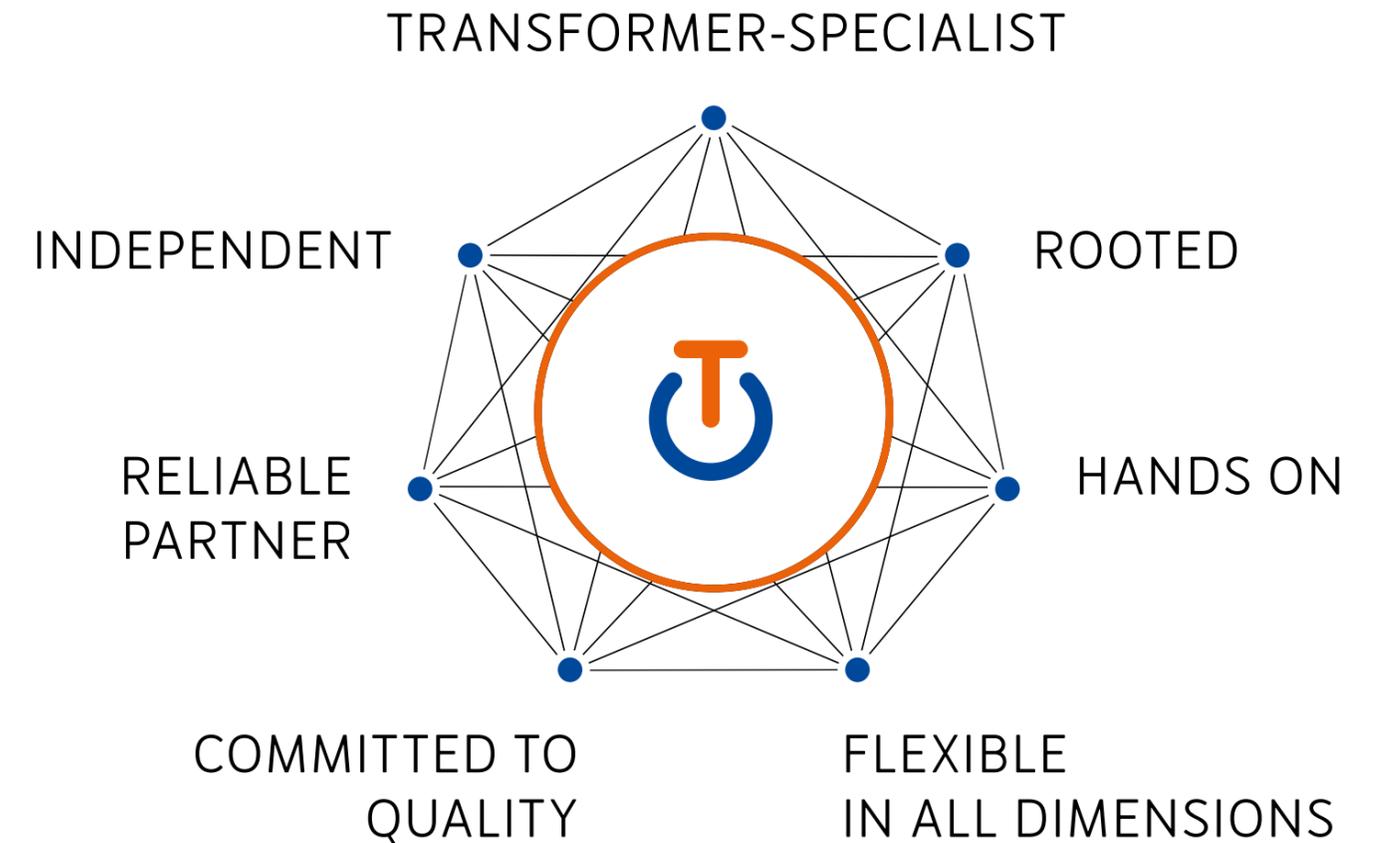
The individual sites specialise according to their local market conditions as well as product category. These are standalone companies – although there is a strong transfer of know-how and mutual involvement in development of products at group level. The group strategy regarding sustainability is centrally defined and executed at entity level.

1.1 BRAND VALUES OF SGB-SMIT GROUP

As a global group of independent companies, SGB-SMIT Group has a unique identity which also defines its individual members of the group. This self-image is expressed through the brand core values of SGB-SMIT Group, which all the members have formulated as follows:

SGB-SMIT Group ...

- specialises in transformers
- has roots at each of its sites
- is practice-orientated in its actions and pragmatic in its problem solving
- is flexible in its development and service
- does not compromise on quality
- is a reliable partner, contractor and customer
- is independent in its corporate decisions



These seven core values reflect the self-image of SGB-SMIT and the image it wishes to convey to those outside. And they are the basis of its identity as a group who is committed to sustainability.





1.2 SGB-SMIT AT A GLANCE

Status 2022

1913 

FIRST EXPERIENCE

3,398 

EMPLOYEES

80 

COUNTRIES

14 

OPERATIONAL SITES

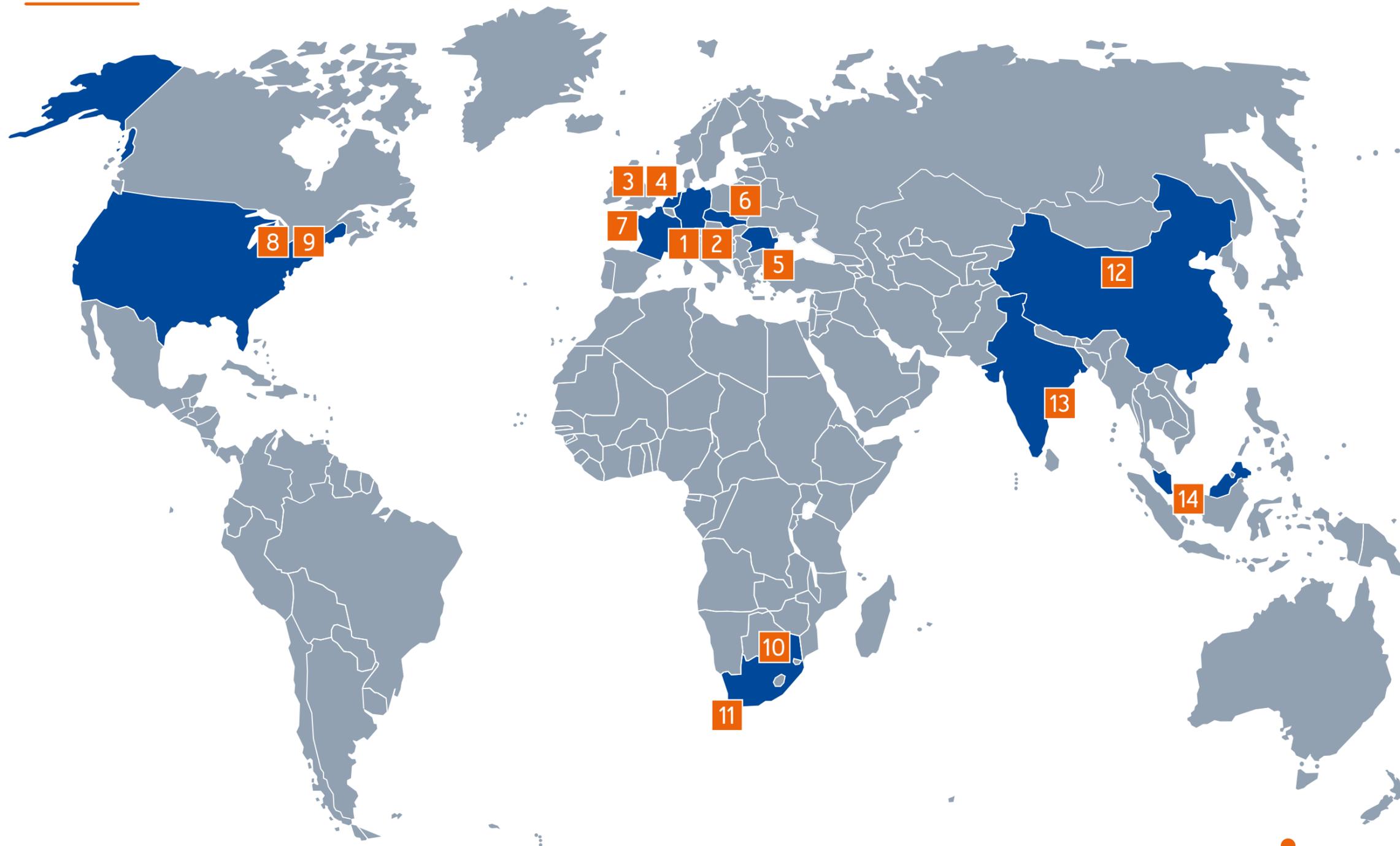
15,928 

TRANSFORMERS

1,051 

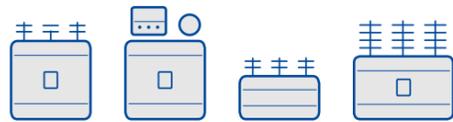
MILLION € TURNOVER

1.3 SGB-SMIT SITES



- 1 STARKSTROM-GERÄTEBAU GMBH**
Regensburg (Germany)
- 2 SÄCHSISCH-BAYERISCHE STARKSTROM-GERÄTEBAU GMBH**
Neumark (Germany)
- 3 ROYAL SMIT TRANSFORMERS B.V.**
Nijmegen (The Netherlands)
- 4 SMIT TRANSFORMER SERVICE**
Nijmegen (The Netherlands)
- 5 RETRASIB S.A.**
Sibiu (Romania)
- 6 SGB CZECH TRAF0 S.R.O.**
Olomouc (Czech Republic)
- 7 BCV TECHNOLOGIES S.A.S.**
Fontenay-le-Comte (France)
- 8 SGB-USA INC.**
Louisville, OH. (USA)
- 9 OTC SERVICES INC.**
Louisville, OH. (USA)
- 10 SGB-SMIT POWER MATLA (PTY) LTD.**
Pretoria West (South Africa)
- 11 SGB-SMIT POWER MATLA (PTY) LTD.**
Cape Town (South Africa)
- 12 SGB CHINA**
Changzhou (P.R. China)
- 13 SGB TRANSFORMERS INDIA PVT. LTD.**
Chennai (India)
- 14 SGB MY SDN. BHD.**
Nilai (Malaysia)

1.4 PRODUCTS



- Large power transformers
- Medium power transformers
- Large liquid-immersed distribution transformers
- Liquid-immersed distribution transformers
- Dry type transformers
- Shunt reactors
- Series reactors
- Phase shifters
- Electrical arc furnace transformers
- Lahmeyer-Compactstationen [compact substations]

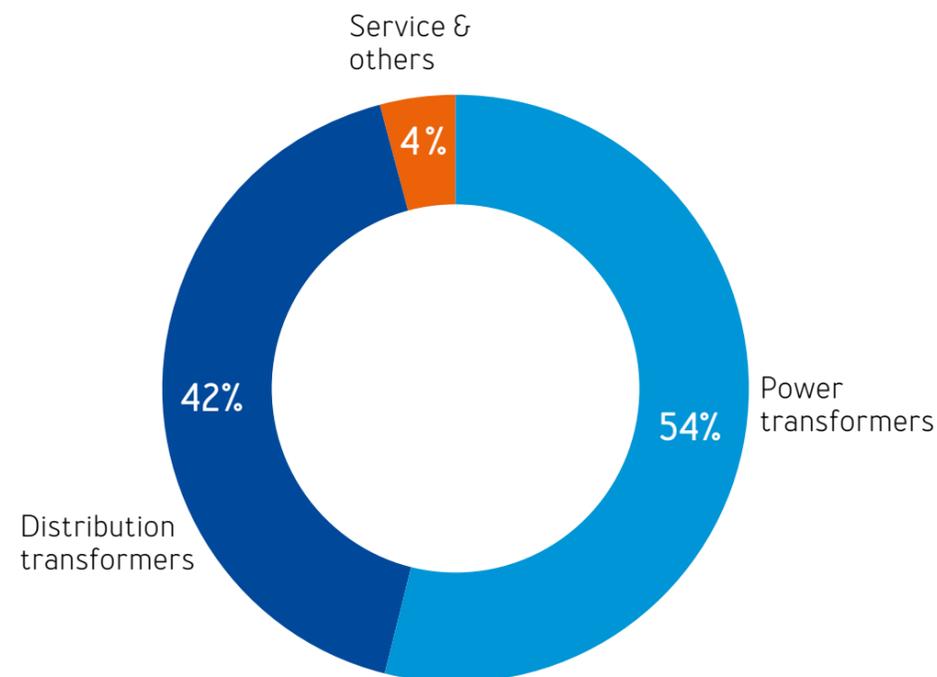
Transformers from 30 kVA up to incl. 1,200 MVA in the voltage range up to 765 kV.

1.5 END CUSTOMER MARKET

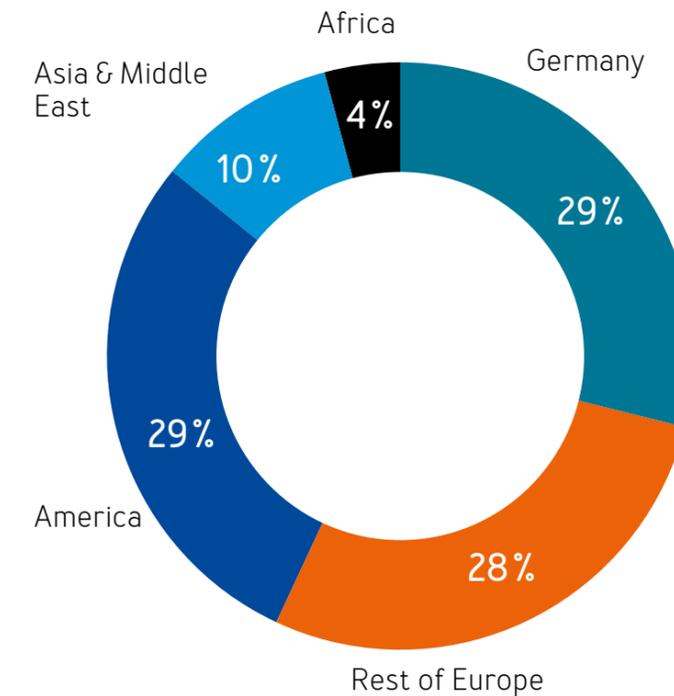
The customer market can be divided in following four segments:

- Energy Generation, mainly driven by renewables
- Energy Transmission (>=220kV)
- Energy Distribution (<=110kV)
- Energy Consumption, such as Industrials

1.6 SALES BY PRODUCTS 2022



1.7 SALES BY REGIONS 2022



1.8 CUSTOMER RELATIONS

A high level of customer satisfaction and long-term customer relations have always been the focus of SGB-SMIT Group. The sales and distribution departments are organized into sales and distribution regions and independent sales responsibility within each business unit. This ensures that customers have a permanent point of contact. These departments cooperate on cross-departmental projects and use a centralized software.

The group is constantly striving to increase and maintain customer satisfaction. All initiatives here are coordinated at group management level and their results are conveyed to the CEO.

2.0

SUSTAINABILITY MANAGEMENT



2.0 SUSTAINABILITY MANAGEMENT

- 2.1 RESOURCES
- 2.2 OBJECTIVES AND REQUIREMENTS
- 2.3 STAKEHOLDERS
- 2.4 MATERIALITY ANALYSIS
- 2.5 RATING SCORES
- 2.6 GREEN PROGRAM

Thinking and acting sustainably can only have an impact if implemented across a broad base and with binding requirements. This is especially true in a global group of companies like SGB-SMIT. At SGB-SMIT, sustainability management does not mean the management of the status quo. Ambitions focus on emerging topics and trends with social or environmental relevance. Sustainability management at SGB-SMIT is therefore always dynamic and adaptable to changing circumstances.

2.1 RESOURCES

Sustainability is practiced at all levels of the global SGB-SMIT Group; the relevant guidelines are compiled at C level for the whole group. Guidelines are implemented at the individual sites and their departments and compliance is checked regularly. This structure facilitates the controlled implementation of the requirements on the one hand and quick decisions if a fast response is required on the other. Sustainability topics at SGB-SMIT are not limited to regulations and conduct: they are also involved in the development of new products. After all, the group manufactures transformers

that are designed to remain in operation for an extended period. This long-term nature makes it crucial to prioritize sustainable product development which can have a lasting impact.

2.2 OBJECTIVES AND REQUIREMENTS

Sustainability as a corporate goal is as important as it is complex. A materiality analysis was carried out to select the aspects from the broad topics on sustainability which SGB-SMIT Group will concentrate on with commitment. This helped to determine which sustainability topics are of importance both to SGB-SMIT itself and to all stakeholder groups in the day-to-day business.

It was then possible to map out the following topics, which are of key importance to the SGB-SMIT Group:

- Ethics and Integrity
- Climate change
- Occupational health and safety
- Product compliance
- Customer relations
- Innovation and product development
- Education and training

- Work with local communities
- Work with suppliers
- Energy management
- Human rights
- Reduction of GHG emissions
- Waste management
- Work with trade unions
- Diversity and Inclusion
- Water management

SGB-SMIT Group regards this list as an instruction from our stakeholders to be especially engaged in these areas. These are the specific topics that this Sustainability Report looks at, documenting the status of our efforts.



2.3 STAKEHOLDERS

The work of our global group is the result of the wishes and expectations of numerous stakeholders. The following abstract shows the key stakeholders regarding sustainability:



Customers

We hold a constant, active dialogue with our customers in order to fulfil their expectations of high quality, sustainable products and services. Order-related development and an integrated management system for quality, environment and occupational safety strengthen customer relations.



Employees

Good relations between companies and employees are not taken for granted. SGB-SMIT fosters a communicative corporate culture that values dependability and fairness towards its employees. Comprehensive health management and numerous of opportunities for personal

development ensure that this will remain the case in the future.



Suppliers

The quality of our products is also the result of the work of our suppliers. We create secure framework conditions and foster a culture of fair partnership, which allows suppliers to participate in the success and further development of SGB-SMIT Group.



Shareholders/Investors

The shareholders in SGB-SMIT Group profit from our continuous growth and clear, strategic corporate goals.

We respond proactively to market trends, maintain extensive compliance management and are developing the topic of sustainability into a competitive advantage.



Research

The mutual and lively exchange with universities and other research facilities allow academic access to practice and provide assistance with their research projects. In this way, ideas for a

sustainable future can be enriched by practical experience.



Media

An open, communicative corporate culture provides the media with relevant information and builds a positive perception of the group.



NGOs / interest groups

Working with associations, assisting with standardisation and standards as well as participation in transformer-specific events strengthens the industry and enhances the SGB-SMIT Group's relevance.



Local communities

We regard ourselves to be a regionally strong employer in each of our locations where we are integrated into community life. Local authorities and government institutions can in turn rely on a partner with integrity who is interested in the common good.



Politics

The work of our business is fundamentally non-political but it does take place within the defined political and legal framework. We exchange views and help to form ideas in order to strengthen our position as a sustainable employer.



Trade unions

The sustainable development of our group members is helped in no small part by good cooperation with employee associations. Rather than viewing the consideration of employees' interests as an obstacle to sustainability, SGB-SMIT understands it as a prerequisite.



Banks/lenders

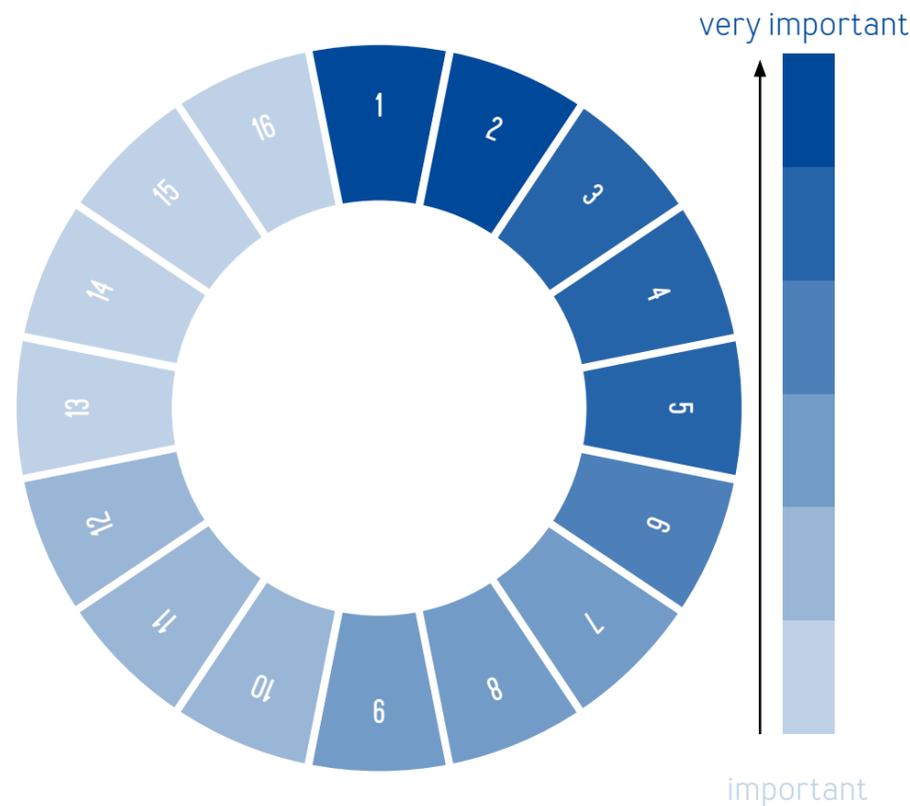
Sustainability also requires funding as well as new ways of thinking: SGB-SMIT Group invests today in order to be in the best position tomorrow. We strive for long-term agreements, fairness and security on both sides when dealing with financial partners.

2.4 MATERIALITY ANALYSIS

To continue developing our sustainability program we are in constant dialogue with the most important interest groups who interact with SGB-SMIT Group. We consult these key stakeholders regularly in order to learn more about the quality of the relationship, the

stakeholders' expectations and our own contribution to these relationships. Based on the acquisition of knowledge, SGB-SMIT outlines the actions that are necessary for establishing and maintaining constructive and long-lasting relationships with all stakeholders.

- 1 Ethics and Integrity
- 2 Climate change
- 3 Occupational health and safety
- 4 Product compliance
- 5 Reduction of GHG emissions
- 6 Innovation and Product development
- 7 Human rights
- 8 Diversity and Inclusion
- 9 Customer relations
- 10 Work with suppliers
- 11 Energy management
- 12 Education and Training
- 13 Waste management
- 14 Work with local communities
- 15 Work with trade unions
- 16 Water management



2.5 RATING SCORES

Results in ratings and scorecards for businesses reveal the extent to which sustainability and Corporate Social Responsibility (CSR) are woven into the business activities and management of companies.

CDP

SGB-SMIT participates in the Carbon Disclosure Project (CDP). This non-profit organisation collects data submitted voluntarily by companies and local authorities, including their data on their emissions. SGB-SMIT Group also supports the biggest database of its kind in the world by giving them data on topics such as Carbon dioxide (CO₂) emissions, risks, and sustainability strategies.



ECOVADIS

SGB-SMIT Group is listed with EcoVadis, the biggest provider of sustainability ratings. EcoVadis' methodology uses international

sustainability standards and analyses sustainability by means of 21 criteria across the themes of environment, labour and human rights, ethics, and sustainable procurement.



2.6 GREEN PROGRAM

SGB-SMIT's sustainability program covers the three ESG pillars (Environment, Social, Governance) and consists of five focus areas: **Governance, Responsibility, Equality, Employees and Net Zero.**

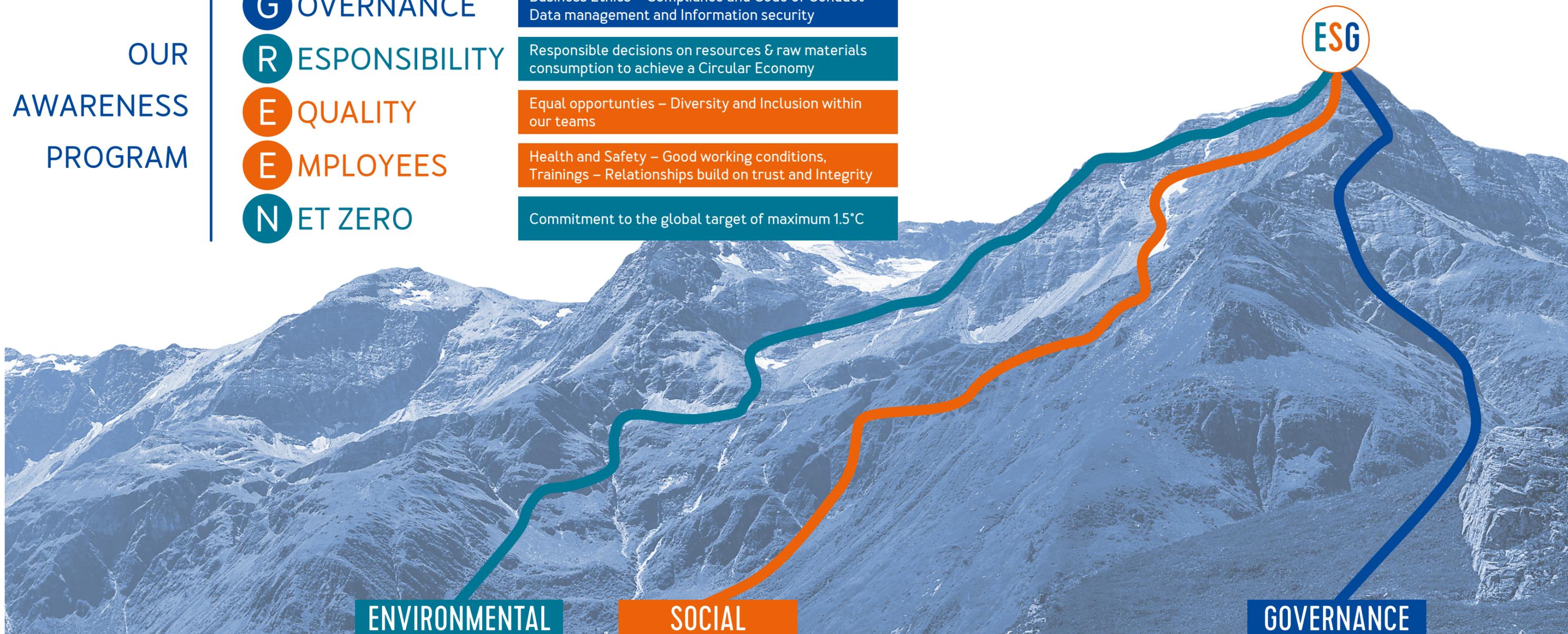
These are as well divided in subprograms, each with specific ambitions and targets. This Sustainability Report gathers the achievements for 2022 of SGB-SMIT Group including initiatives and projects implemented to achieve defined ambitions within the next years. Base year for all ESG measures is 2020.



OUR JOURNEY TOWARDS SUSTAINABILITY

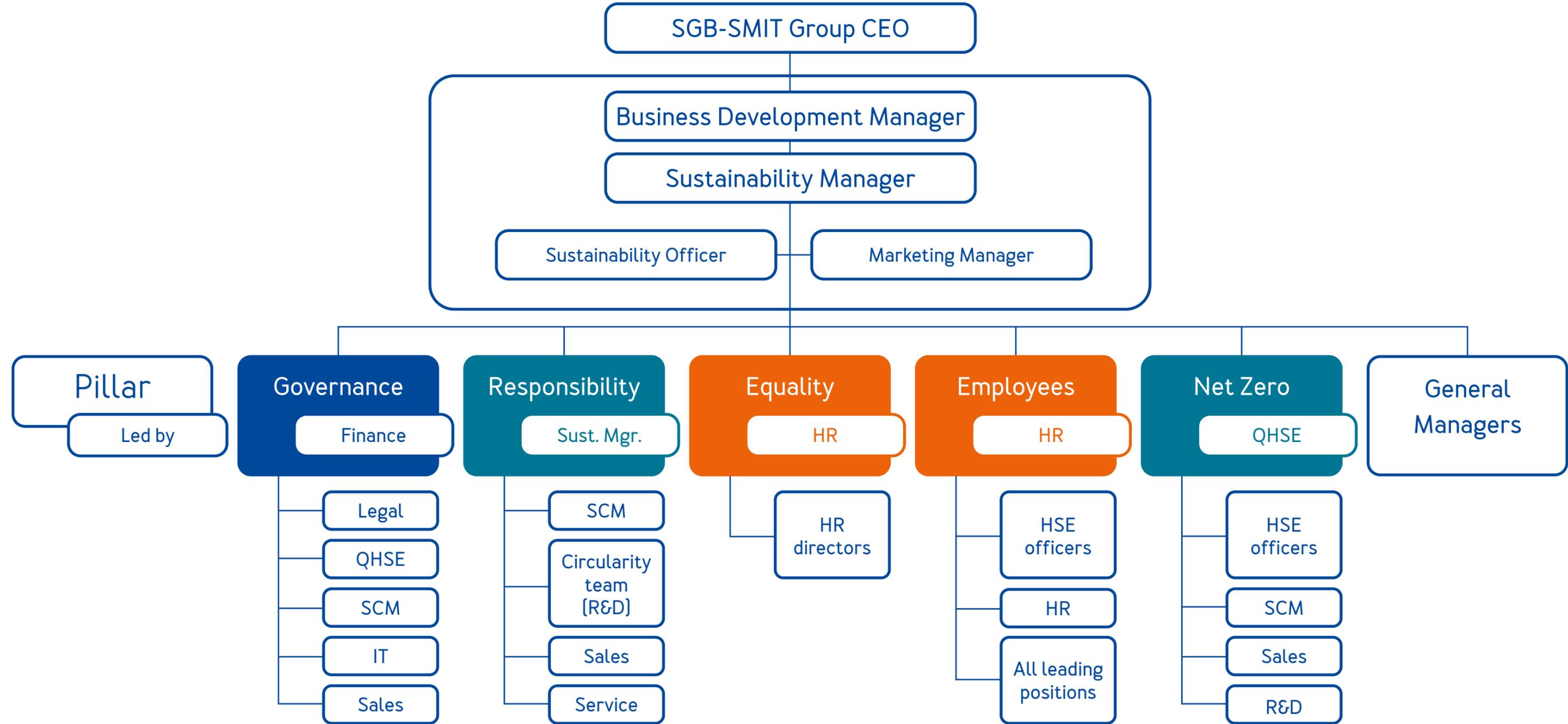
OUR
AWARENESS
PROGRAM

- G**OVERNANCE
Business Ethics – Compliance and Code of Conduct – Data management and Information security
- R**ESPONSIBILITY
Responsible decisions on resources & raw materials consumption to achieve a Circular Economy
- E**QUALITY
Equal opportunities – Diversity and Inclusion within our teams
- E**MPLOYEES
Health and Safety – Good working conditions, Trainings – Relationships build on trust and Integrity
- N**ET ZERO
Commitment to the global target of maximum 1.5°C

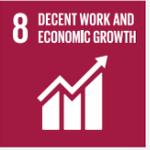




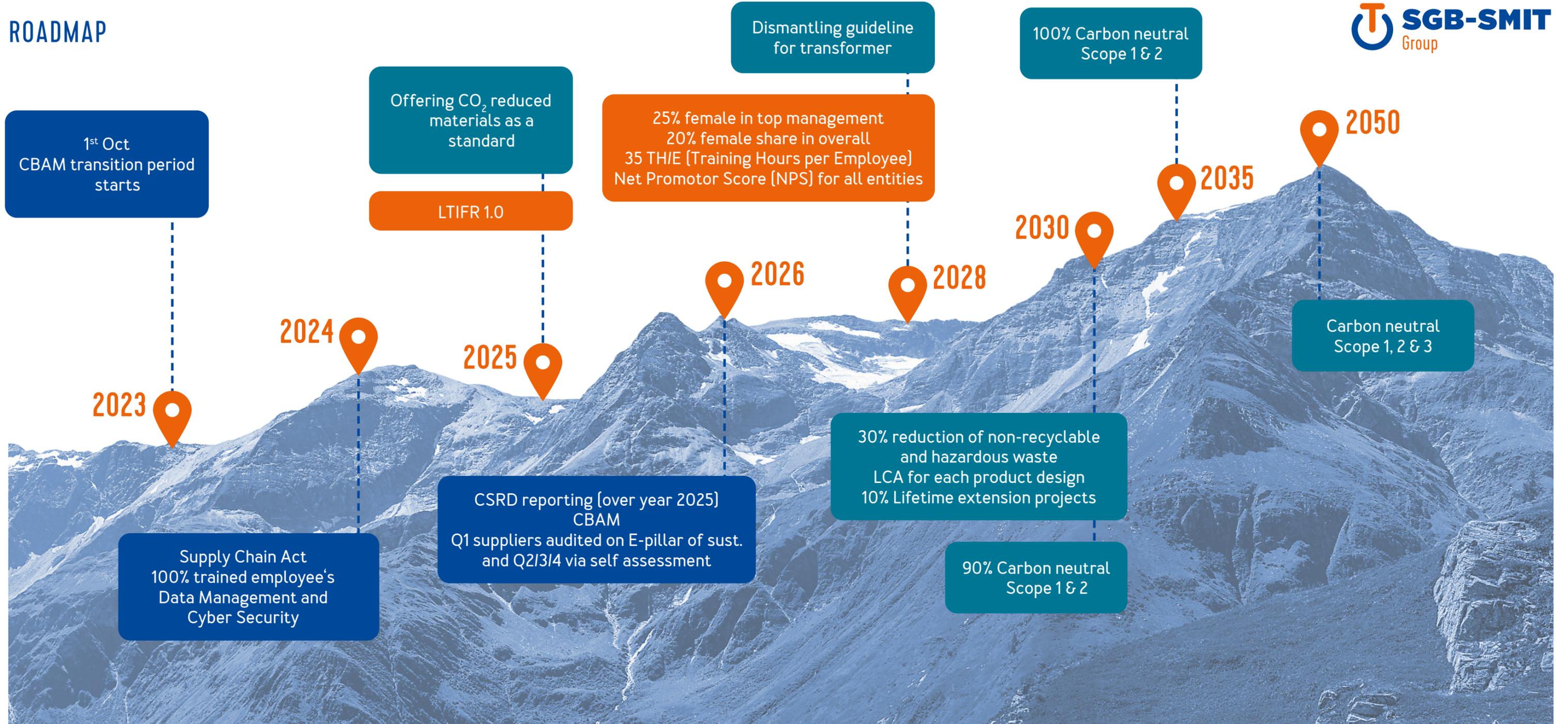
SUSTAINABILITY TEAM ON GROUP LEVEL



AMBITIONS AND TARGETS

PILLAR	Program	Sub-Program	Ambition	KPI	Target	Relevant SDGs
GOVERNANCE	Governance	Business Ethics	Build relationships based on trust	% of trained white collar employees	FY2025: 100% Trained white collar employees for Compliance basics	   
		Compliance	Comply with CSRD/EU Taxonomy	No. of KPIs included in Scorecard covered by CSRD	FY2025: Compliant with CSRD	
			Comply with Supply Chain Act	Report published	FY2024: Compliant with Supply Chain Act in 2023	
			Comply with CBAM	Inform customs about imported goods	FY2026: Compliant with CBAM	
		Supplier Code of Conduct	Guarantee commitment from suppliers to Supplier Code of Conduct	% of suppliers consenting Supplier Code of Conduct	FY2023: All suppliers received new Supplier Code of Conduct	
		Supplier Audits	Hold suppliers accountable	Supplier audits including sustainability criteria	FY2026: All Q1 suppliers audited on environmental pillar of sustainability and Q2/3/4 via self assessment	
Data Management and Information Security	Ensure Cybersecurity	No. of trained people for Data management and information security	FY2024: 100% Trained employees for Data management and information security			
ENVIRONMENT	Responsibility	LCA	Standardize LCA	No. of LCA per location % of LCAs done of product portfolio per location	FY2030: LCA for each product design	 
		Circular Product Design	Produce transformers with minimum environmental impact	Applied kg CO ₂ reduced materials/MVA % non-recyclable waste /MVA % hazardous waste /MVA	FY2025: Offering CO ₂ reduced materials for each transformer	
		Circular Business Models for Lifetime Extension	Extend life time & Dismantle environmentally friendly	No. of refurbished and remanufactured products	FY2030: 10% Lifetime extension projects for service FY2028: Dismantling guideline for transformer	
		Circular Waste Management	Support an economy without waste	% reduction of waste	FY2030: Reduce hazardous and non-recyclable waste by 30%	
SOCIAL	Equality	Diversity and Inclusion	Diversify workforce and promote inclusion	% female in top management positions	FY2028: 25% female in top management positions	 
				% female employees	FY2028: 20% female share in overall	
				% of disabled employees	FY2030: 5% disabled employees	
				Average age employees	FY2030: Average age under 42	
SOCIAL	Employees	Health and Safety	Maintain a safe work environment for all employees	LTIFR	FY2025: LTIFR 1.0	
		Training	Train employees in key areas	TH/E (Training hours/employee)	FY2028: 35 TH/E	
		Employees satisfaction	Increase employee satisfaction	Net Promotor Score (NPS)	FY2028: NPS for all entities	
ENVIRONMENT	Net Zero	Net Zero targets supported by SBTi	Set scientific based emission reduction targets	SBTi Targets	FY2025: SBTi targets	
		Decarbonization	Achieve carbon neutrality of own operations	CO ₂ Emissions/MVA [Scope 1 & 2]	FY2030: 90% carbon neutral [Scope 1 & 2] FY2035: 100% carbon neutral [Scope 1 & 2]	
			Achieve carbon neutrality through the value chain	CO ₂ Emissions/MVA [Scope 3]	FY2050: 100% carbon neutral [Scope 1,2 & 3]	

ROADMAP



3.0

ENVIRONMENT



3.0 ENVIRONMENT

3.1 ENVIRONMENTAL MANAGEMENT

3.2 RESPONSIBILITY

3.2.1 LIFE CYCLE ASSESSMENT (LCA)

3.2.2 CIRCULAR PRODUCT DESIGN

3.2.3 CIRCULAR BUSINESS MODELS FOR LIFETIME EXTENSION

3.2.4 CIRCULAR WASTE MANAGEMENT

3.3 NET ZERO

3.3.1 SCOPE 1 & 2

3.3.2 SCOPE 3

3.1 ENVIRONMENTAL MANAGEMENT

Environmentally sound action is essential for sustainability. Environmental management is directly linked to the daily production at SGB-SMIT Group – at all levels and at all sites. Accordingly, the group is increasingly expanding its engagement in renewable energy among other initiatives to protect the environment.

The environmental management system of the group pursues two main goals: first, ensure that all sites adhere to relevant laws and regulations related to environmental protection and proactively prepare for upcoming standards. Second, harmonize the environmental protection requirements with the expectations of all stakeholders.

Certification to international standards sets the direction and internal group objectives ensure that the environmental management system produces measurable results. Accordingly, no fines were imposed in 2022 due to environmental violations.

The environmental management system at all the sites within SGB-SMIT Group is certified to international standards according to ISO 14001. The German sites are also certified to ISO 50001. An overview of these certificates can be found in chapter 5.0.

SGM-SMIT products comply the rigorous standards of the European Commission's Eco-design Regulation Tier 2. To achieve this the group has undertaken a comprehensive process involving an in-depth assessment of the product's design, components, and manufacturing processes, as well as an analysis of its environmental impact throughout its entire life cycle. Measures taken minimize environmental impact while continuing to meet consumer needs and preferences.

GREEN PROGRAM

Environmental action is divided in two focus areas part of the GREEN program of SGB-SMIT Group. First, Responsibility covering all initiatives contributing to the development of a circular economy. Second, Net Zero covering all initiatives contributing to the decarbonization of the economy.

RESPONSIBILITY NET ZERO

Responsible decisions on resources & raw materials consumption to achieve a Circular Economy

Commitment to the global target of maximum 1.5°C

3.2 RESPONSIBILITY

The objective of the group regarding the focus area of Responsibility is to reach a minimum impact of its products and services across the value chain by focusing on making the right circularity decisions on the product design, manufacturing, lifetime extension and end of life application of materials. SGB-SMIT Group translates this into four programs:

1. Life Cycle Assessment (LCA)
2. Circular Product Design
3. Circular Business Models for Lifetime Extension
4. Circular Waste Management

3.2.1 Life Cycle Assessment (LCA)

The implementation of Life Cycle Assessment (LCAs) for the products of SGB-SMIT Group

has two main objectives: first, understanding the environmental impact of products, which is directly linked to identifying areas where efficiency can be improved. Second, fostering transparency in the relationship with its customers and partners. By conducting LCAs, customers and partners are provided with valuable insights into the complete life cycle of the SGB-SMIT products, from raw material extraction to end-of-life disposal. LCAs are the evaluation of the environmental footprint of each product. Additionally, this data has been used now at the group level to rethink production processes and develop future changes that reduce environmental impact and optimize efficiency. LCAs contain valuable input when deciding one the use of greener materials, efficient transportation, and disposal methods.

3.2.2 Circular Product Design

The development of sustainable products is one of the main focal points of innovation at SGB-SMIT. When it comes to the design of the product energy efficiency and the use of alternative materials are the two main goals. The group has continuously improved the design of its transformers and reactors in recent years and can exert considerable influence on the transformers' own energy consumption (or energy loss) through changes in design and production alone.



SGB-SMIT Group sales departments are drawing customers' attention more to the transformers in our range that work with reduced losses – and therefore greater efficiency. It is imperative to understand the economic and environmental benefits of these transformers despite their higher prices.

These are the main objectives and the initiatives put into place at SGB-SMIT regarding Circular Product Design:

OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
Reduce energy losses of products	<p>Collaboration with leading suppliers of grain oriented electrical steel, amorphous metal cores, and insulating materials to develop new technology which will allow for further increase of the overall efficiency of products.</p> <p>Development of solutions which will allow reducing these no-load losses up to 30-50% (up to 21 Gt of CO₂ emissions per annum can potentially be eliminated).</p>
Provide fast and precise voltage regulation for renewable energy	<p>Development of solutions for voltage regulation distribution grids (superior technical performance expected at costs 25-33% lower than solutions on the market).</p>
Introduce and support the widespread use of alternative materials	<p>NYTRO BIO 300X, NYTRO RR 900X, Shell S5 and Midel eN 1204 are being offered (superior biodegradable insulating fluid which exceeds the IEC-60296 specification, 100% recyclable and demonstrates outstanding thermal performance making it possible to achieve the most uniform temperature profile possible).</p>
Develop advanced solutions for Wind Power	<p>Integrated and compact solutions combining power transformer and a low-voltage switchgear characterized by high reliability and efficiency as well as compact design and high-power density.</p>
Increase material savings	<p>Project involving advanced laser cutting and laser welding technology for scrapples manufacturing of magnetic cores of transformers and shunt reactors which will allow saving of up to 7.5% of high-quality steel.</p>
Cooperate with Universities in R&D	<p>Testing and validation of alternative insulation fluids (TU Delft).</p> <p>Development and prototyping voltage regulation products for distribution grids and modeling of magnetic fields in large power transformers and the characterization of grain-oriented electrical steels (TU Eindhoven).</p> <p>Verification of the influence of voltage harmonics on the electrical insulation system in oil-immersed transformers (TU Dresden).</p> <p>Application of laser technology for transformer core manufacturing (Fraunhofer Institute for Material and Beam Technology).</p> <p>Research on condition assessment, asset management, thermal modelling, discharge and breakdown mechanisms (Manchester University).</p> <p>Magnetostriction measurements with 3rd harmonic component and with mechanical pressure (Cardiff University).</p> <p>In addition, SGB-SMIT Group collaborates with several other high schools such as Lodz University of Technology and Munich University of Applied Sciences.</p>

3.2.3 Circular Business Models for Lifetime Extension

SGB-SMIT Group has also been investing resources in developing the circular potential of its service. Here, the group has identified that the implementation of a circular economy approach for lifetime extension should be pursued together with stakeholders. Together with its stakeholders SGB-SMIT is aiming at a range of approaches to enhance circular potentials.



3.2.4 Circular Waste Management

Valuable materials are used in the production of transformers. SGB-SMIT Group strives therefore to minimize or recycle production waste for both environmental and economic reasons. Every site in SGB-SMIT Group records its total waste. This is then used to determine the recycling rate for the individual production sites. The acquired data is recorded across the group on an annual basis.

A large part of the waste comes from the supply packaging. To avoid packaging waste, the aim is to use sustainable/returnable packaging as much as possible and to recycle any other waste. Whether within the own products, supplied parts or packaging: there are lots of opportunities to avoid

excessive raw materials and waste. At SGB-SMIT Group, waste prevention and reuse take priority over recycling – and in the worst-case scenario – waste processing.

The proportion of reused packaging materials has been rising for many years at SGB-SMIT Group; it is a similar story for waste which is sent for recycling.



OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
To develop the circular potential of service	Lifetime extension research with the Technical University of Eindhoven. Refurbishment: At OTC location (Ohio, US) the group offers rewinding service, replaces the windings and insulations parts, and bring it back into the transformer.
To support customers with the recycling of transformers	Smit (Nijmegen, Netherlands) can also support customers by recycling transformers in the most sustainable way. To achieve this, the group works together with partners who recycle the components ensuring that they remain in the supply chain. As transformer manufacturer SGB-SMIT Group can as well reuse components for other repair or maintenance activities.

OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
To minimize the use of packaging materials, to reuse packaging and to send unavoidable waste reliably for recycling	Purchasing departments are instructed to specifically select suppliers and transport companies who can offer innovative concepts like sustainable packaging solutions including return systems for load carriers and other packaging materials. The group challenges its suppliers to use biodegradable packaging materials.

3.3 NET ZERO

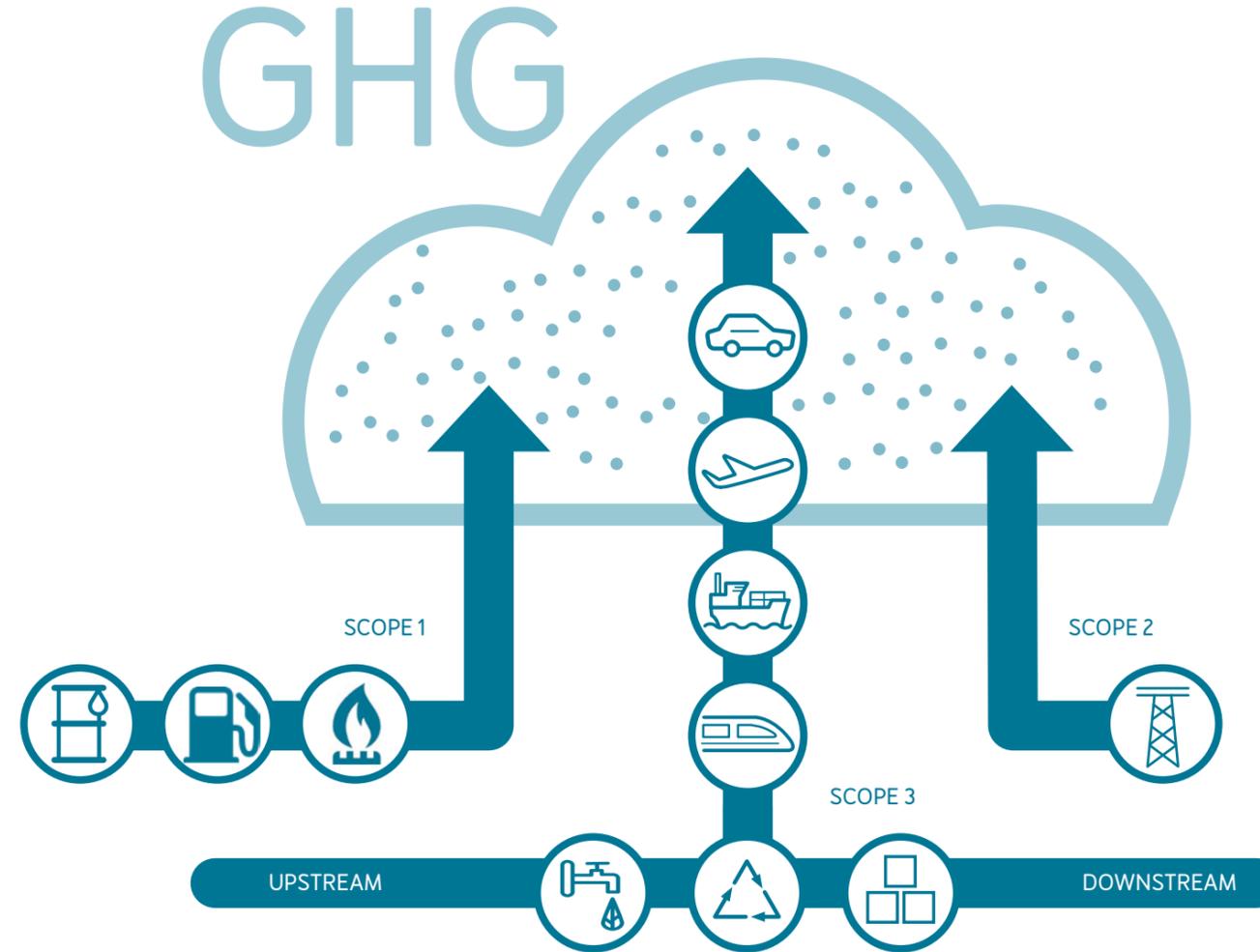
In 2009, SGB-SMIT Group began to systematically record the GHG emissions it produces. Since then, the carbon footprint has been determined in cooperation with a partner in line with the GHG Protocol and ISO 14064. GHG emissions are split into three scopes in accordance with the GHG Protocol.

Scope 1:
Direct emissions produced by in-house fuel use and industrial processes.

Scope 2:
Direct emissions produced by the electricity consumption.

Scope 3:
Indirect emissions occurring as a result of own activities but can not be directly influenced, covering upstream, production and downstream activities.

At SGB-SMIT Group, Scope 1 and 2 are measured according GHG Protocol. For Scope 3 the group can until now only provide partial measures.



In the upcoming year, SGB-SMIT Group intends to engage the SBTi's support in conducting an assessment of these three scopes.

3.3.1 Scope 1 & 2

Energy Efficiency

Energy is the core theme at SGB-SMIT and the group is firmly committed to its efficient

use. And in the same way that SGB-SMIT provides its customers with increasingly efficient transformers, the group ensures that energy is also used sensibly and sparingly internally. The topic of energy efficiency is relevant, firstly, in the energy-intensive production of transformers; secondly, in the daily work of every employee, and finally, during the operation of the transformers and throughout their entire service life. Energy management is part of the HSE management system of the SGB-SMIT.



SGB-SMIT Group strives towards a sustainable and economic energy mix when it comes to its energy supply. To take specific environmental protection action on the one hand and manufacture efficiently on the other, various energy efficiency programs are constantly being pursued. This relates to production as well as administration, development, and sales. The total recorded energy consumption includes electricity, natural gas, fuel oil and diesel.



OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
<p>To reduce energy consumption significantly. Since SGB-SMIT Group is growing continuously, its total energy requirements are also growing. The energy management system focuses on one measure: energy consumption per produced MVA rating of transformers</p>	<p>Exchanging compressors. Combined heat and power generation from local cogeneration plant. Installation of solar power systems. Switching to LED lighting and lots more.</p>



Big and small steps are being taken at numerous points on each site, which altogether influence the energy consumption of the entire group. To an increasingly large degree, these steps also include the sites' own initiatives and suggestions for improvement made by employees.



TOTAL ENERGY CONSUMPTION (MWh per year)



SPECIFIC KPI (MWh per MVA produced)



GHG Emissions

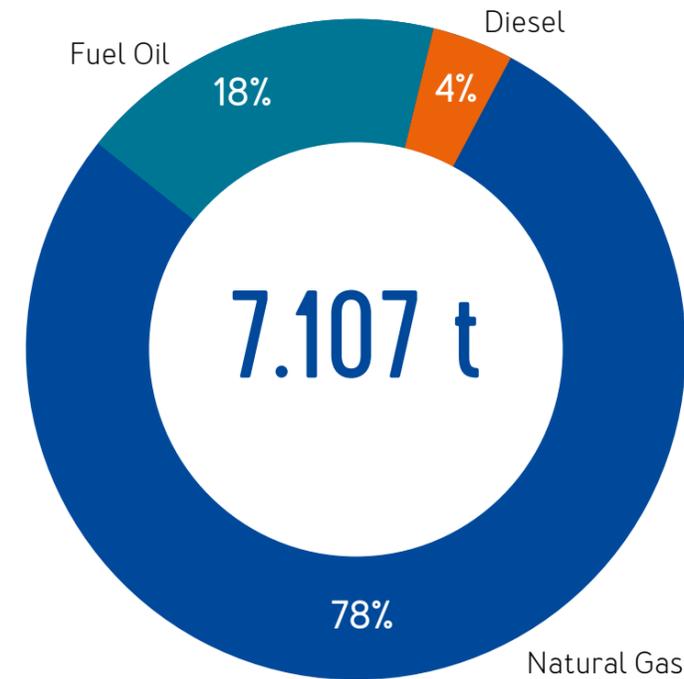
The group concerns about climate change are demonstrated not least by the participation of SGB-SMIT Group in the “Vision 2045” initiative. As a global group of companies operating within the energy sector, SGB-SMIT is addressing this issue on multiple levels and is acting to reduce its CO₂ emissions in production and administration as well as throughout the entire product life cycle. Carbon footprint reduction is one of the key parameters of sustainable manufacturing.

CO₂ emissions have decreased compared to the base year in 2020 by 14% within the group. In order to be able to record the efforts being made for lasting CO₂ reduction in terms of quantity, SGB-SMIT measures its CO₂ emissions in relation to the MVA, i.e. to the rating of the transformers produced. The amount of CO₂ emissions in 2022 was 0.31 tons CO₂eq / MVA.

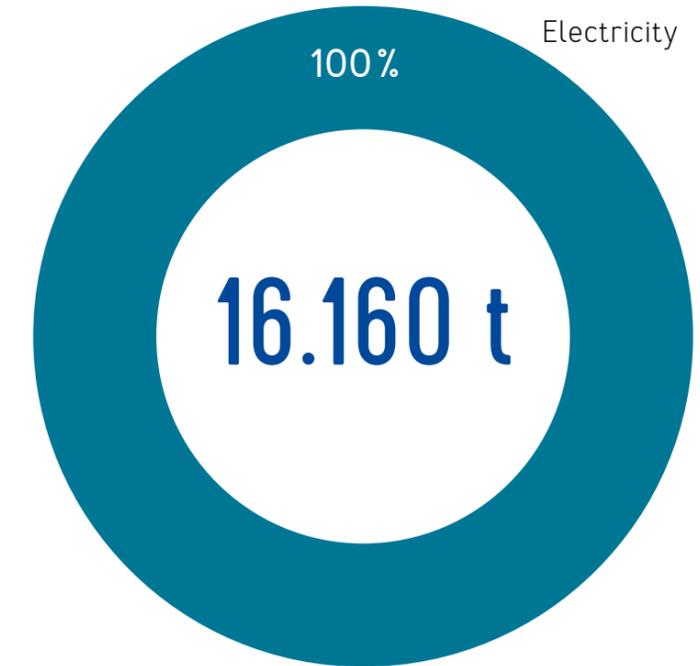
Although the total energy consumption of SGB-SMIT Group increased within the last years due to its growth, the group reduced its energy consumption per MVA, by 6% from 2020 to 2022. This was the result of individual measures at the sites which increased energy efficiency in administration. Continuous design improvements also ensured greater efficiency over the product life cycle of products.



Scope 1 Emissions
[t CO₂e]



Scope 2 Emissions
[t CO₂e]



3.3.2 Scope 3

SGB-SMIT Group aims to disclose its Scope 3 emissions latest by 2025. The group works with more than 500 suppliers operating in more than 50 countries and an estimated 90% of its emissions are in Scope 3 caused by upstream and downstream activities.

The group is committed to measuring and addressing its Scope 3 emissions following the categories of the GHG Protocol which cover:

1. Upstream Emissions:

Indirect emissions produced with the extraction, production, and transportation of raw materials or inputs.

2. Downstream Emissions:

Indirect emissions produced because of the use, disposal, or end-of-life treatment of the sold products. This including emissions generated during product use.

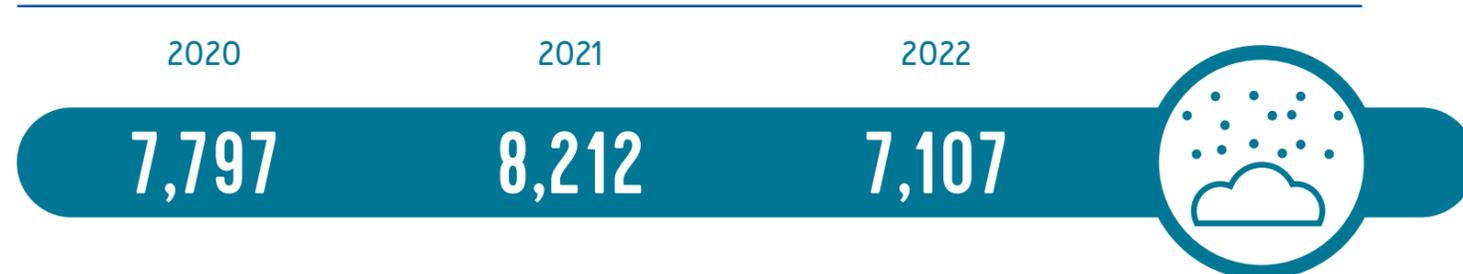
OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
To achieve the reduction CO ₂ emissions in transformer production [per MVA rating] through the following measures	Reduction in energy consumption Use of renewable energy Consistent implementation of energy management in accordance with ISO 50001

To reduce its Scope 3 emissions, the group is actively:

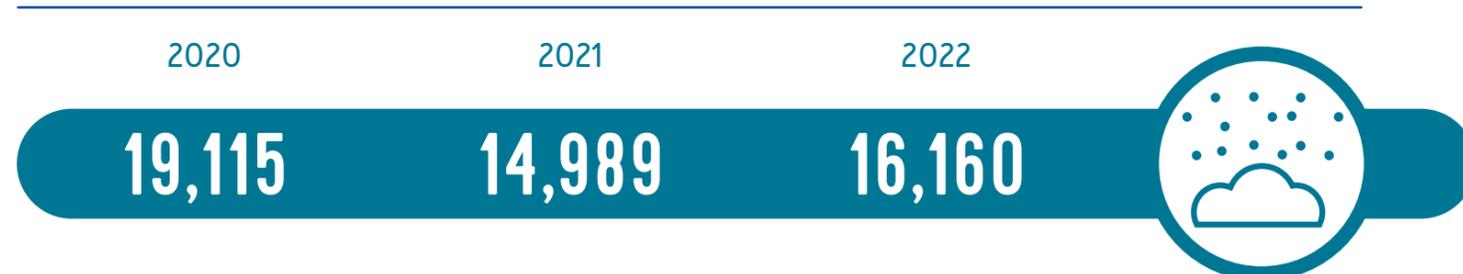
- Addressing energy efficiency across the entire value chain.
- Identifying excess resource consumption in the supply chain.
- Providing guidance to employees regarding commuting and business trips (upstream).

In terms of quantifying and evaluating its Scope 3 emissions, the group has so far concentrated on the areas that wield the most significant influence, namely Category 1 and 11. As for the remaining categories, either data collection has been initiated or commitment to start has been established.

TOTAL CO₂ EMISSIONS – SCOPE 1 [t per year]



TOTAL CO₂ EMISSIONS – SCOPE 2 [t per year]



CO₂ EMISSIONS BY TRANSFORMER RATING – SCOPE 1 & 2 [t CO₂ per MVA produced]



	SCOPE 3 CATEGORY	STATUS
UPSTREAM	1 – Purchased goods and services	Engaged in the acquisition of firsthand data from our suppliers, as it is outlined in the supplier code of conduct.
	2 – Capital goods	Commitment to initiate data collection and analysis in the forthcoming year.
	3 – Fuel-and-energy-related activities (not included in Scope 1 or 2)	Commitment to initiate data collection and analysis in the forthcoming year.
	4 – Transportation and distribution	Engaged in the acquisition of firsthand data from our suppliers, as it is outlined in the supplier code of conduct.
	5 – Waste generated in operations	Comprehensive range of available data encompassing disposal and hazardous waste. Other recyclable streams will be added.
	6 – Business travel	Comprehensive range of available data.
	7 – Employee commuting	Commitment to initiate data collection and analysis in the forthcoming year.
	8 – Upstream leased assets	Actively undergoing a comprehensive evaluation process.
DOWNSTREAM	9 – Downstream transportation and distribution	Comprehensive range of available data.
	10 – Processing of sold products	Commitment to initiate data collection and analysis in the forthcoming year.
	11 – Use of sold products	Initiated the process of conducting LCAs at our primary facilities.
	12 – End of life treatment of sold products	Obtained partial insights into the progress made by recycling companies.
	13 – Downstream leased assets	N/A
	14 – Franchises	N/A
	15 – Investments	Commitment to initiate data collection and analysis in the forthcoming year.

Water Management

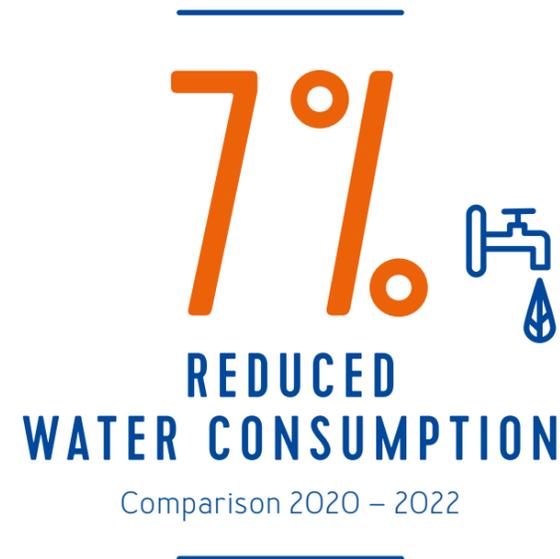
At SGB-SMIT water protection is essential just as much as reducing water consumption. All sites source their water from the public supply networks and are keen to handle water as responsibly as possible as a valuable resource.

SGB-SMIT Group’s water consumption is recorded annually. Some of the water used by SGB-SMIT Group is attributable to the production coming from the transformers cooling while they are being tested at the test facility. Consumption during this process depends on customer requirements; the control possibilities are accordingly low in this instance. The principal use of the water consumed across the group relates to sanitary facilities at the sites. The measures to cut consumption are primarily linked to sanitation technology here.

Water is not only a resource used for production, but it is also an essential component of food consumption. The efforts at SGB-SMIT Group to protect the global water cycle and

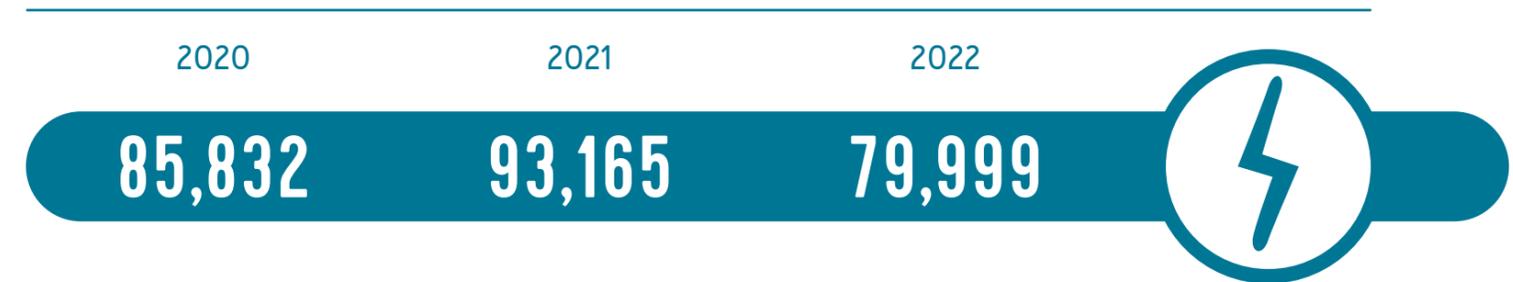
to only take what is necessary from it are correspondingly extensive. In 2013, water consumption across the group was still 167,166 m³, in 2022 it was just 79,999 m³. Though several locations were added within the last ten years.

Group members are ensuring that this trend continues: one example is Royal Smit, at this site, water consumption was drastically reduced by a test area upgrade including a new cooling system.



OBJECTIVES AND REQUIREMENTS	INITIATIVES AND PROJECTS
To put less pressure on water as a resource	<p>The group is focusing more on materials that are more compatible with the water cycle for its transformers.</p> <p>For example, more and more transformers are equipped with the standard mineral oil-based transformer oil with the more biocompatible 50% synthetic or natural ester oils.</p> <p>The employees in sales refer potential customers explicitly to this environmental improvement.</p>

TOTAL WATER CONSUMPTION [m³]



WATER CONSUMPTION RATE [m³ per MVA produced]



Waste Management

Waste management has been a focal point at SGB-SMIT Group for several years, as the Group aims to constantly reduce waste generation in its operations. Across all sites, responsible personnel have been designated to monitor various types of waste, which are classified as hazardous or non-hazardous, and as waste for disposal or recycling.

SGB-SMIT Group is committed to complying with all applicable regulations in the areas where it operates, and has implemented policies and practices controlling the use of hazardous substances, which meet or exceed these regulations. The Group is currently undertaking efforts to substitute high-risk substances with less hazardous alternatives. As of 2022, less than 7% of waste generated by the group was still classified as hazardous, a percentage which is expected to decline further in the future.

TOTAL WASTE [t]



WASTE FOR RECYCLING [t]



WASTE FOR DISPOSAL [t]



WASTE RATE [t per MVA produced]



Waste figures excluding SGB-SMIT Power Matla



4.0

SOCIAL



4.0 SOCIAL

4.1 SOCIAL MANAGEMENT

4.2 EQUALITY

4.2.1 DIVERSITY AND INCLUSION

4.2.2 EQUAL OPPORTUNITIES

4.3 EMPLOYEES

4.3.1 TRAINING

4.3.2 HEALTH AND SAFETY

4.3.3 EMPLOYEE SATISFACTION

4.4 SOCIAL ENGAGEMENT

4.1 SOCIAL MANAGEMENT

Sustainability must be understood holistically and comprises more than just environmental and economic aspects. SGB-SMIT Group does not just turn its attention to environmental aspects, when thinking about sustainability: it also looks inwards, to its employees and community.

At SGB-SMIT, sustainability in terms of the employees within the group means maintaining the essential ability to work and to develop this commitment and self-responsibility through motivation and



trust. Social Management is organized within our GREEN Program in two focus areas: Equality and Employees.

Employee responsibility plays a major role at the SGB SMIT Group. Managers receive guidance on personnel management through their own manual, quarterly HR news and mutual exchange. To create fair working conditions, the group values good cooperation with employee representation groups and have established the creation of a respectful working environment in the Code of Conduct.

At SGB-SMIT Group, thinking and acting sustainably in terms of human resources means practicing equal treatment, the fair assessment of employee qualifications with reference to hard skills, soft skills and possibilities for personal development and further training. In this way, employee satisfaction, mutual appreciation and loyalty are increased. In 2022, there were no violations in connection with unfair working conditions or discrimination which could be verified.

E QUALITY E EMPLOYEES

Equal opportunities - Diversity and Inclusion within our teams

Health and Safety – Good working conditions, Trainings – Relationships build on trust and Integrity

3,398
EMPLOYEES 2022

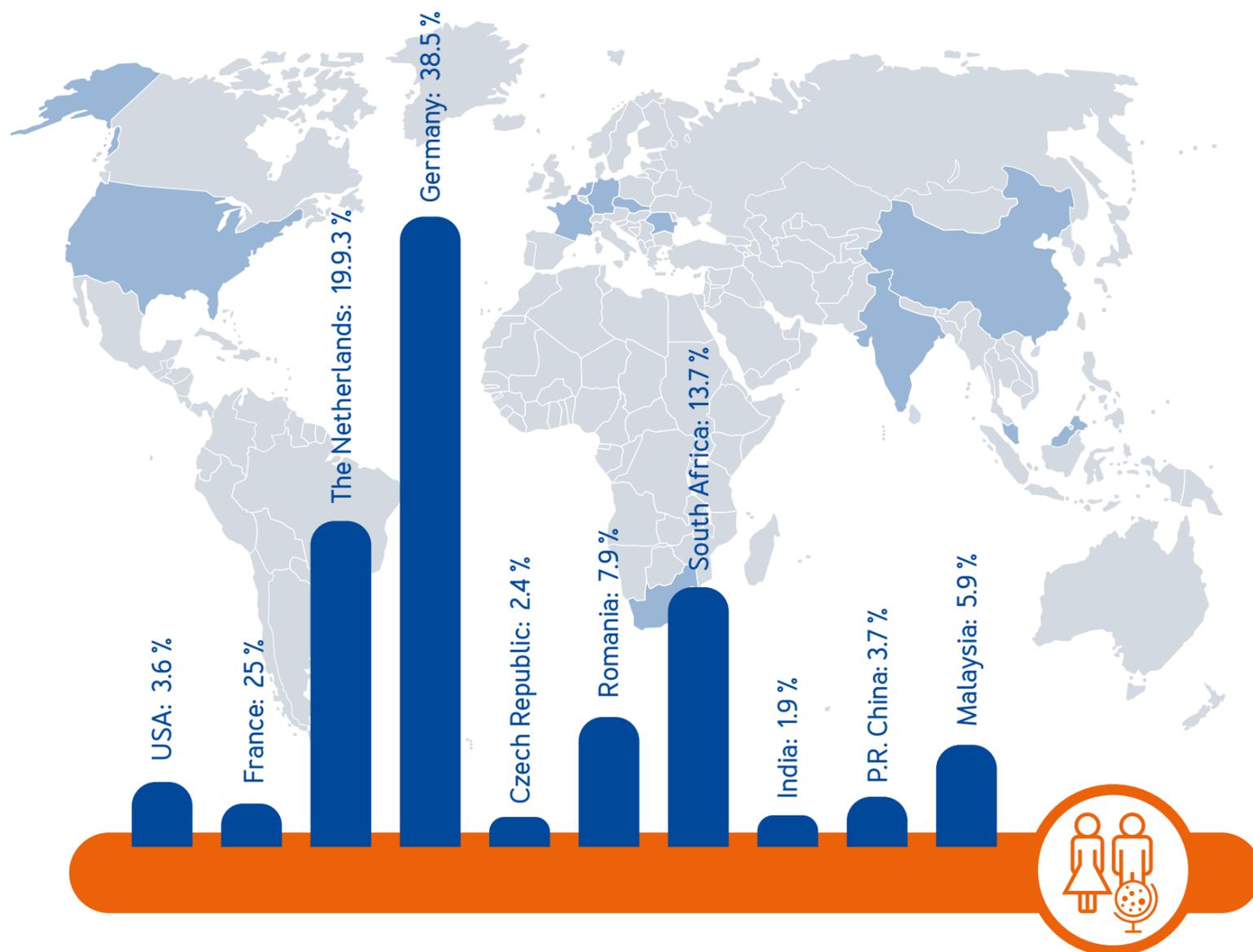
397
NEW EMPLOYEES 2022



LEAVING THE GROUP [2022]



EMPLOYEE STRUCTURE BY COUNTRY (2022)



4.2 EQUALITY

Equality is a fundamental value at SGB-SMIT Group. The group aim is to provide a fair and inclusive environment for all its employees and all employees benefit from having equal opportunities. Each employee brings unique perspectives and experiences to the workplace and deserves to be treated with respect and dignity regardless of its age, gender, ethnicity, sexual orientation, or any other characteristic.

This commitment to equality is reflected in policies, practices, and decisions, from recruitment and hiring to promotions and compensation. By fostering a culture of equality, the company aims to create a positive and supportive workplace where everyone can thrive and reach their full potential.



4.2.1 Diversity and Inclusion

SGB-SMIT is aware that a diverse workforce leads to a more innovative and productive work environment. By fostering a culture of inclusion, the group strives to create a safe and supportive space where everyone can thrive and reach their full potential. The group's commitment to diversity and inclusion is an ongoing effort. The group has set as a target to employ 5% disabled persons and an employee average age of below 42 by latest 2030. The group has set as a target to reach 20% female share in overall by 2028 at the latest.



FEMALE IN LEADING POSITIONS

4.2.2 Equal opportunities

Providing equal opportunities fosters a sense of fairness and motivation among employees, leading to better engagement, productivity, and job satisfaction. SGB-SMIT Group understands that providing equal opportunities is essential for its success. The group has set as a target to reach 25% female in top management positions by 2028 at the latest.

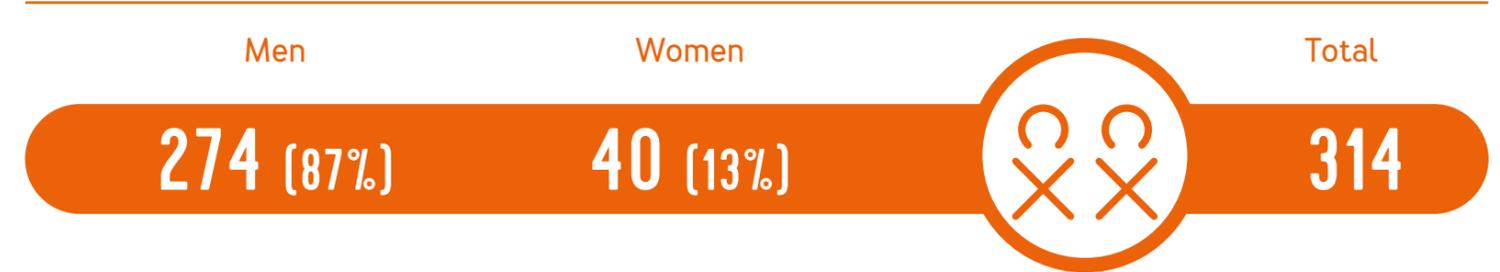


FEMALE IN TOP MANAGEMENT POSITIONS

EMPLOYEES (2022)



LEADING POSITIONS (2022)



EXECUTIVE TEAM (2022)



DISABLED EMPLOYEES (2022)



Employees are the most valuable asset of SGB-SMIT

41.3
 AVERAGE AGE
 2022

4.3 EMPLOYEES

At SGB-SMIT employee well-being is a high priority, the group provides access to wellness initiatives, health resources, and a safe and inclusive work environment. A culture of open communication and feedback is constantly being encouraged to continuously improve employee well-being and ensure employees feel valued and supported. At the sites where it is possible, the group operates its own canteens.



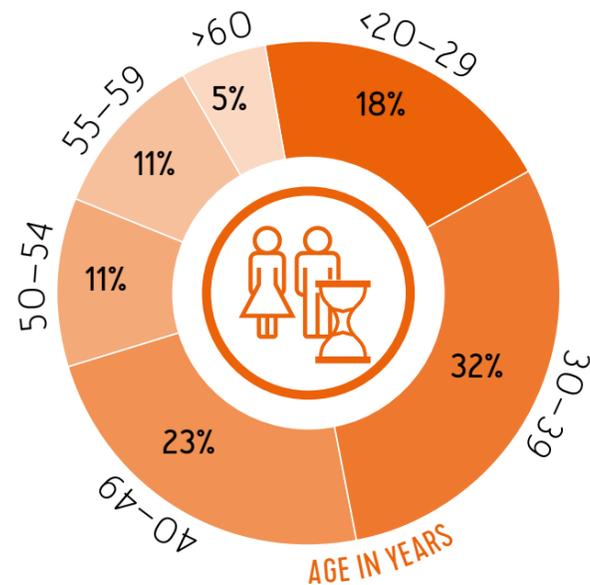
COVID-19

In 2022 SGB-SMIT Group successfully continued managing the impacts and consequences of the COVID-19 pandemic. The group recognizes the importance of being prepared for such events and will use the lessons learned to react appropriately in similar situations.

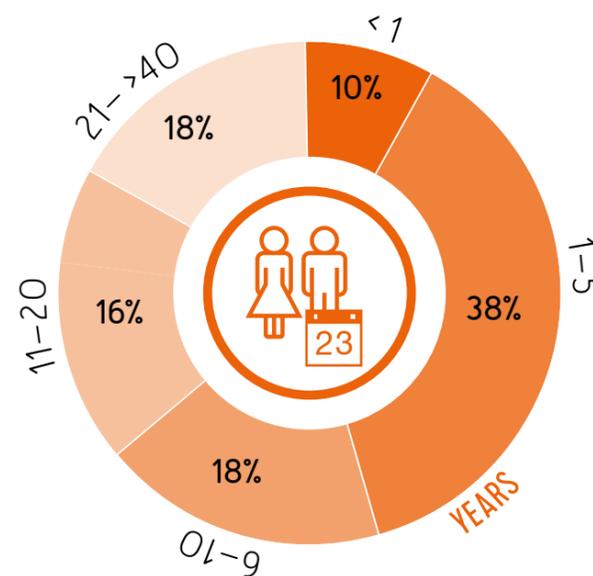
Measures were implemented to minimize the risk of infection and increase employee awareness, including ongoing risk assessments, travel restrictions, online meetings, working from home, pandemic rules and protective measures for

external visitors, and hygiene measures and rules. These measures were accompanied by organizational measures such as the establishment of COVID teams at the sites, weekly group-wide coordination Steering Committees, compulsory mask wearing, distancing, and offering vaccinations and self-tests.

AGE STRUCTURE (2022)



SERVICE (2022)





Flexible Work

In every department where it can be implemented, SGB-SMIT Group offers flexible working hours and working from home. Even if this policy was initially established due to the COVID-19 pandemic, it is now an ongoing internal policy. The group firmly believes that having flexible working schemes results in increased productivity, cost savings, and improved employee satisfaction.

Through all different locations initiatives for the employee are being implemented.

Some examples are:

- Job Ticket (for public transportation)
- Bike Leasing Program
- Special conditions for sporting activities
- Sponsoring or subsidy of postgraduate trainings



WORKING FROM HOME

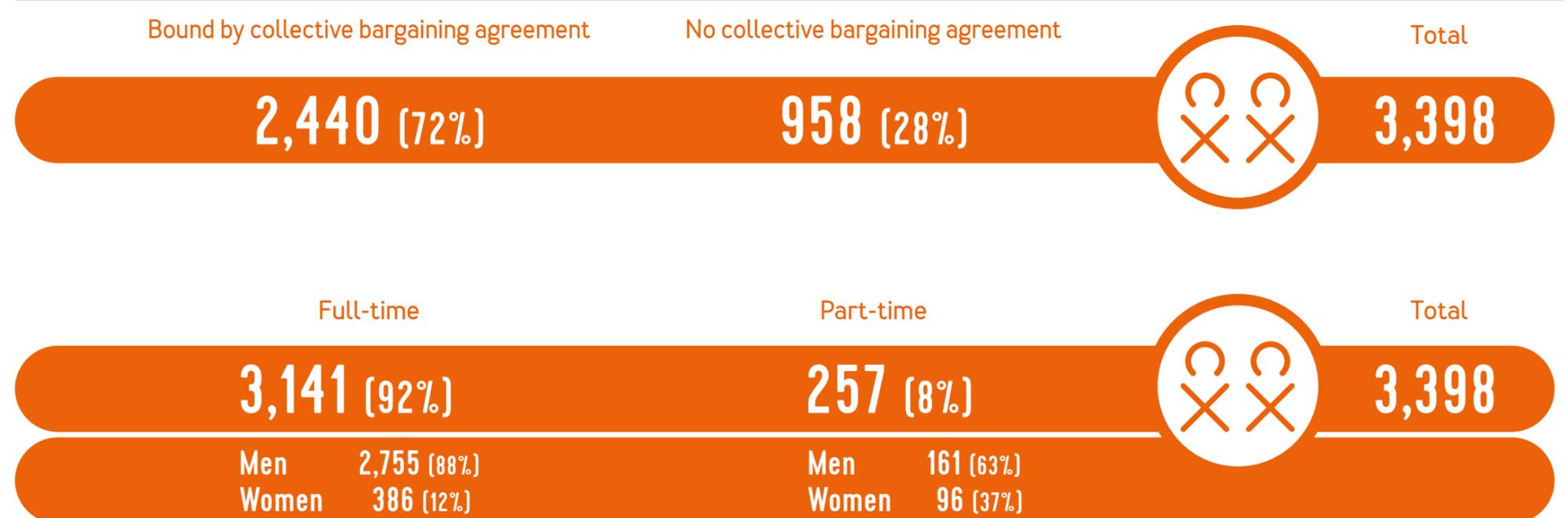


FLEXIBLE WORKING HOURS



CANTEENS

EMPLOYMENT (2022)



4.3.1 Training

Employee development and training are fundamental elements in the creation of a skilled and motivated employee base. By offering opportunities for education and training, the group ensures that its employees are equipped with the knowledge and skills necessary to excel in their roles.

In 2021, a group wide training initiative began in the shape of the SGB-SMIT Academy. To determine training needs, a skills management system has been established and requirements are tracked in an HR tool.

SGB-SMIT recognizes the importance of education and cooperation with universities. Contributing to this, SGB-SMIT Group is focusing on expanding local cooperation to offer valuable insights into the group at an early stage for potential, future talented employees.

Cooperation with universities enables SGB-SMIT to tap into the latest research and innovations, while working student jobs,

29,000
TOTAL TRAINING HOURS
IN 2022



apprenticeship and internships provide practical, hands-on experience to students who are interested in pursuing a career in the industry. These initiatives not only benefit the employees and students but also SGB-SMIT Group itself.

4.3.2 Health and Safety

Acting responsibly means creating a safe working environment too. Respecting the working ability of employees – and taking care of them – reduces accidents at the workplace. For SGB-SMIT Group, occupational health and safety is a fundamental building block for its operations.



The Health & Safety manager of SGB-SMIT Group delegated by the CEO is responsible for making sure everyone is safe at work. Any accidents and the current figures for industrial safety indicators are reported to the CEO monthly.

There is a Health & Safety Officer and a Health & Safety Committee at every site. This committee is established by senior management at each site; senior management takes part in committee meetings. Apart from these structures, every employee plays an active role in the health and safety management system at SGB-SMIT Group. It is the obligation and responsibility of every individual to be vigilant about safety at their own workplace and surroundings. Hazardous situations are reported immediately and if necessary, work is stopped.

Senior management at SGB-SMIT sites across the world conduct monthly safety walks to strengthen awareness of safety at work and to continuously improve the indicators. Moreover, compliance with the guidelines is checked through internal and external audits and global workshops are held. Furthermore, group members exchange findings and actions on the topics of health, safety, and accident prevention.



Digitalization, which is pursued across the group, has also helped in this: current accident figures can be called up on dashboards at any time, while monthly statistics and digital tracking of accidents are effective instruments for detecting risks and issuing warnings in good time.

The individual sites of SGB-SMIT Group run a wide range of local programs to promote general occupational Health & Safety. Furthermore, there are group-wide rules and campaigns relating to occupational safety and employee health, which are defined in the Health & Safety Guidelines. These include:

14 rules to come home healthy and safe

Regular risk assessments

Provisions relating to reporting accidents and near-misses

Guidelines for periodic training on Health and Safety topics

Safety rules for visitors and contractual partners

Documented procedures in the event of accidents and emergencies

Health and Safety checks at customer sites and suppliers

Indicators are published regularly to document the current safety status as well as the progress in fulfilling the provisions. Examples of these indicators are LTIFR (Lost time incident frequency rate) and LTISR (Lost-time incident severity rate).

To have the effectiveness of our H&S rules evaluated objectively, all sites in SGB-SMIT Group are certified externally to ISO 45001:2018*.

* SGB-USA not certified but obliged to implement the H&S Guideline.

FREQUENCY RATE (LTIFR 200.000 h)



SEVERITY RATE (LTISR)



NO. OF LOST DAYS



Zero Accidents Program (ZAP)

SGB-SMIT Group implements the “Zero Accidents Program (ZAP)”. This places senior executives and management at the individual sites as well as individual employees under obligation to bring the number of accidents to the lowest possible level and keep it there. Components of ZAP include “GEMBA Walks” at regular intervals, management training, thorough analysis, and continuous skill development. Also defined in ZAP: both accidents and near-misses are recorded promptly and forwarded digitally to the central QHSE Manager.

SGB-SMIT Group has made significant progress towards improving safety and has maintained a positive track record of reducing the number of accidents and incidents. SGB-SMIT Group has set as target to have a LTIFR of 1.0 by 2025. This indicates the group’s commitment to creating a safe and secure working environment.

4.3.3 Employee Satisfaction

SGB-SMIT Group regularly gathers feedback on employee satisfaction through intermittent surveys and a 360-degree feedback system involving managers. In the event of possible irregularities, employees can easily access a whistleblowing system which



encourages early intervention. This system will be further developed in chapter five.

The group’s ambition here is to measure employee satisfaction at all entities with the Net Promotor Score (NPS) by 2025 at the latest.

4.4 SOCIAL ENGAGEMENT

The social management of SGB-SMIT Group not only prioritizes its employees but also

emphasizes social engagement with the community and non-profit organizations. By actively participating in the community and supporting non-profit organizations, SGB-SMIT demonstrates its commitment to making a positive impact beyond its walls. The importance of social engagement at SGB-SMIT is twofold. Firstly, it allows the group to give back to the community in a meaningful way, and secondly, reinforces the group’s commitment to Corporate Social Responsibility (CSR).

The group allocates a portion of its resources towards community outreach programs, such as volunteering initiatives and donations to local charities. By supporting non-profit organizations who align with its values, the company is not only making a difference but also building valuable relationships within the community. Through these efforts, is the intention of SGB-SMIT to create a long-lasting and positive impact on society.

Throughout the different locations social engagement projects are being implemented. Some examples are:

- Donation to Stadsboom supporting education programs for young people (Royal Smit)

- Mountain bike event Groesbeeks Gruwelijkste Sponsorship to support research for energy metabolism disease (Royal Smit)

- Participation in the VW-project “Gemeinsam Ziele erreichen” (“achieving goals together”) for more than six years, a program that supports young people with drug and crime backgrounds (SBG Neumark)

- S.H.E. Committee arranges with the nearby primary school donations of Desktop and IT components (SGB MY Nilai)

- Sponsorship for basketball team at a high-school (RETRASIB Sibiu)

- Sponsorship of local charity organizations (OTC/SGB-USA Louisville)

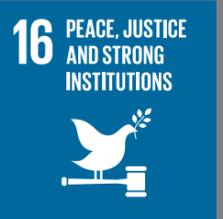
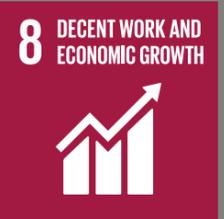
- Financial support for regional animal shelter and regional organization for blind people (SGB Czech Olomouc)

- Participation in social initiatives like Leukimia Run (SGB Regensburg)

- Financial Support of local organization and sport teams (SGB Regensburg)

5.0

GOVERNANCE



5.0 GOVERNANCE

5.1 GOVERNANCE MANAGEMENT

5.2 INTERNATIONAL LEGAL FRAMEWORKS

5.3 BUSINESS ETHICS AND COMPLIANCE

5.3.1 BRIBERY AND CORRUPTION

5.3.2 HUMAN RIGHTS

5.3.3 CODE OF CONDUCT

5.3.4 WHISTLE BLOWER

5.4 DATA MANAGEMENT AND INFORMATION SECURITY

5.5 TRAININGS

5.6 CERTIFICATES

5.7 SUPPLY CHAIN MANAGEMENT

5.7.1 SUPPLIER CODE OF CONDUCT

5.7.2 SUPPLIER AUDITS

5.1 GOVERNANCE MANAGEMENT

By focusing on Governance, SGB-SMIT Group demonstrates its commitment to ethical and responsible business practices and strengthens its relationships with stakeholders. This focus area covers Business Ethics and Compliance, Code of Conduct, Data Management and Information Security. Combating bribery and corruption, protecting human rights and strict compliance with applicable laws are the main tasks of the Compliance Officers at SGB-SMIT Group. At the same time, they pursue specific suspected cases and perform preventive duties. Additionally, there is an officer responsible for the area of Data Management and Information Security. Within SGB-SMIT Group there were three suspected compliance breaches in connection with corruption in 2022. Two of them could not be proven because insufficient evidence was provided. The investigation into the third case is currently ongoing. Measures to address the issue and mitigate its impact are being formulated and put into effect. The potential risks identified are also being addressed with the implementation of specific prevention measures.

5.2 INTERNATIONAL LEGAL FRAMEWORKS

SGB-SMIT Group respects several international legal frameworks regarding sustainability which are the main set of standards and guidelines for its business practices across borders.

International Labour Organization (ILO)

Dedicated to promoting social justice and internationally recognized human and labour rights, the International Labour Organization (ILO) pursues its founding mission that industrial peace is essential to prosperity. This commitment is part of SGB-SMIT Group's Governance program and compliance management policy.

Supply Chain Act

In the wake of the adoption of the German Duty of Care Act, ("Supply Chain Act"), SGB-SMIT Group will be taking additional actions in the supply chain, which will clearly address compliance with fundamental human rights principles, labour standards and environmental conditions.

G OVERNANCE

Business Ethics – Compliance and Code of Conduct –
Data management and Information security

The German Supply Chain Act obliges companies to monitor risks on human rights and environmental law in their supply chains and in their own area of responsibility. Based on number of employees located in Germany the Supply Chain Act for SGB-SMIT Group is valid from 1st of January 2024. All entities of SGB-SMIT Group are obliged to comply with the German Supply Chain Act. The group has set as a target to be fully compliant with the German Supply Chain Act by end of 2023.

Carbon Border Adjustment Mechanism (CBAM)

The CBAM is the EU's tool aiming to establish a price for the CO₂ emissions associated with the production of goods that have a high carbon footprint and are being imported into the European Union (EU). As a global group of companies, the SGB-SMIT Group supports this mechanism that incentivizes manufacturers to adopt cleaner production practices and reduce their carbon footprint. Accordingly, the group considers the CBAM in its export strategy and work on taking all necessary measures to ensure

compliance. The group has set as a target to be compliant with CBAM by latest 2026.

Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy

As a group operating within the EU, SGB-SMIT Group understands that complying with the Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy is essential. The aim of SGB-SMIT Group is to provide transparent and accurate information aligned with the requirements of the CSRD and the EU Taxonomy on its environmental and social impact in its annual reports, ensuring accountability and transparency for stakeholders. Ultimately, compliance with CSRD and EU Taxonomy demonstrate its long-term commitment to transparency. The group has set as a target to be compliant with CSRD and EU Taxonomy by latest 2026.

Governance at SGB-SMIT Group

Given the frameworks mentioned above SGB-SMIT Group pursues following topics on Human Rights and Environment:

- 1 **Contribute to improve the situation on human rights and environmental protection throughout the whole supply chain.**
- 2 **Continuous improvement of human rights, workers safety and environmental protection in own area of responsibility [SGB-SMIT Group legal entities].**
- 3 **Identify risks and violations through systematic risk management and risk analysis and implementation of appropriate measures.**
- 4 **Create a motivating and diverse work environment for all employees independent from gender, age, nationality, religion.**
- 5 **Enable everybody [internally and externally] to report potential violations of human rights or environmental protection in SGB-SMIT Group or its supply chain via a whistle-blower system.**

Employees and suppliers must comply with all applicable laws, regulations and contractual obligations. The group's Code of Conduct and Supplier Code of Conduct define the basis for this behaviour. Following five key elements are covered:

- 1 **Comply with the applicable laws and honour contracts and agreements**
- 2 **Take responsibility for all employees**
- 3 **Take care of the environment and act sustainably**
- 4 **Support a responsible handling of know-how, data and information**
- 5 **Call up if there is an ethical or lawful legal violation**

The Supplier Code of Conduct is available for everybody at the homepage of the group.

Responsibilities

To ensure that all employees and suppliers comply with the regulations and customers' expectations the following responsibilities are defined:

- 1 **Supply Chain Act Committee to follow up following tasks:**
 - Annual review of the performance of the supply chain risk management system
 - Conducting of internal controls and reporting of deviations to management
 - Contact for the group management of SGB-SMIT Group
 - Support as an advisory body for the management
 - Annual update of the declaration of principles
 - Preparation of the annual BAFA report
- 2 **Compliance Team** for identifying human right risks in SGB-SMIT Group's own area of responsibility. This is done by conducting compliance audits on a yearly basis to identify own human rights impacts and compliance matters.

- 3 **Quality Management Team** for identifying health & safety and environmental risks in SGB-SMIT Group's own area of responsibility and ensuring human rights and environmental law are followed at suppliers while they are conducting regular audits. Strategic suppliers are audited every three years, other suppliers are audited demand driven. If a supplier is based on the risk analysis done by the Supply Chain Team identified as critical an on-site audit will be planned on short notice to evaluate the actual situation. In case of deviations Supply Chain Act Committee and Management needs to be informed, counter measures need to be defined and followed up.

Group Management has the overall responsibility for complying with the regulations. All employees must follow the company regulations applicable to their position and must report any relevant facts or violations to the responsible bodies group-wide.

5.3 BUSINESS ETHICS AND COMPLIANCE

Ethical behaviour guides all decision-making processes at SGB-SMIT Group. Implemented systems and measures ensure that the group is acting in a responsible and ethical manner. By prioritizing business ethics, the group evidences its intention to build trust and loyalty with its stakeholders, including customers, employees, shareholders, financing parties, and the wider community.

A local Compliance Officer works at each of the operational units of SGB-SMIT Group. These employees exchange ideas and information in quarterly meetings with the Compliance Committee. During these meetings, the progress of risk-minimising measures is ascertained, and potential new risks are being identified. All identified potential risks are being continuously analysed and monitored. For each risk that is or may become material, early remedial actions are taken. Each operational unit is subject to a compliance audit once a year in addition.

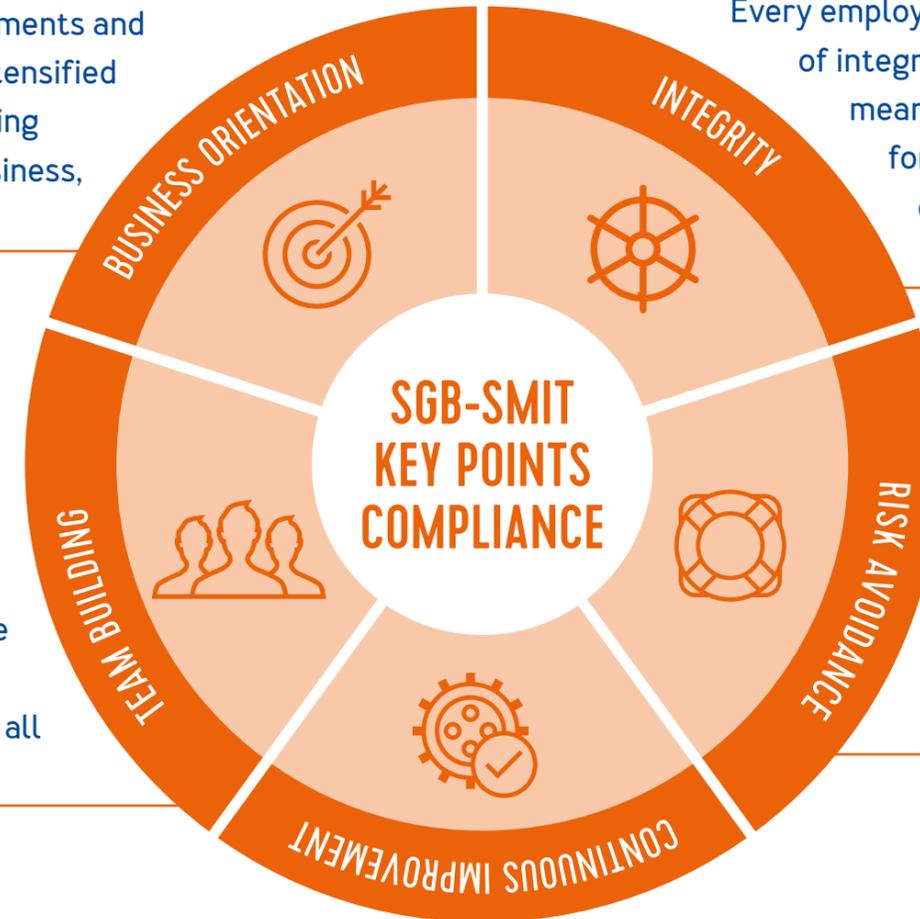
The following aspects are important to us in terms of compliance:

Business orientation

Cooperation between the compliance teams and the individual departments and business units is being intensified and customer focus is being developed – for good business, literally.

Team building

The practice of effective compliance needs an excellent compliance team. SGB-SMIT ensures there is an ideal environment and ongoing training for all Compliance Officers.



Continuous improvement

The processes in the compliance departments are optimized on an ongoing basis.

Internal Compliance Audit and Risk Identification

Risks are identified during audits, document checks, via whistleblowing channels etc. Generally, the risks are detected on an ongoing basis and documented during yearly internal compliance audits by the compliance team (humans rights and compliance) and the QHSE team (health & safety, environmental law). During these audits all departments are screened. Assessing compliance risks is done by the auditors and prioritized by

- **extent of damage (economic and/or reputation) and**
- **likelihood of occurrence.**

The identified risks are documented and prioritized, which is the base for monitoring, continuous improvement, and due diligence.

Appropriate measures to eliminate the risk will be defined and implemented. Implementation status of measures is followed up on a quarterly basis with the respective entity and the compliance team. Management, committee, and Ombudsman are informed on a regular basis.

Compliance Management Manual

All the responsibilities and procedures regarding compliance are described in the group Compliance Management Manual.

5.3.1 Bribery and Corruption

Bribery and corruption are unacceptable abuses – they prevent market development that everyone benefits from and obstruct healthy, responsible growth. They must be combated unremittingly. The members of SGB-SMIT Group have internalised the fact

that sustainable success and permanent employee satisfaction are only possible in an environment of fair competition, in compliance with relevant legal frameworks. The group combats corruption and breaches of laws or regulations and has initially established a compliance management system for this purpose in 2013, which was adopted by all member companies and implements responsible actions daily. With respect to assessing corruption risks, reference is made on the one hand to standard rankings such as Transparency International and on the other hand, interviews are conducted with the relevant managers covering business and country-specific risks.

5.3.2 Human Rights

One prominent objective of SGB-SMIT Group is to respect human rights – within the global

group but also at its suppliers and partners. The topic of human rights is addressed both in the Code of Conduct and in the Supplier Code of Conduct along with various sub-items. Furthermore, human rights are always considered as evaluation criteria at the regular compliance audits in each of the facilities.

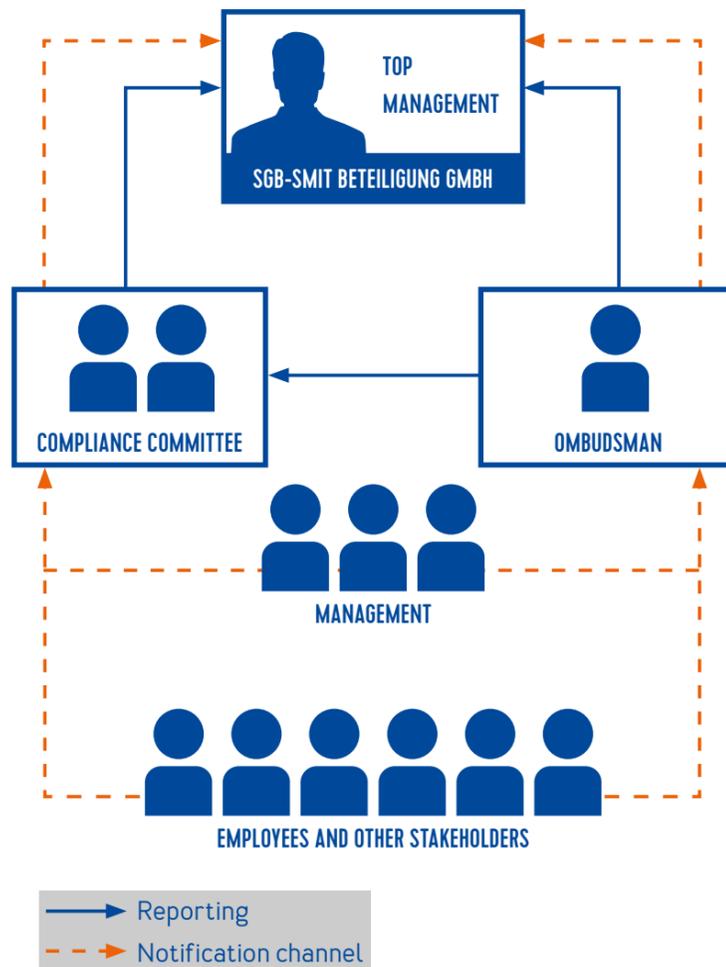
5.3.3 Code of Conduct

SGB-SMIT Group has formulated a Code of Conduct containing anti-corruption guidelines, which set out within SGB-SMIT Group clear requirements for the behavior of employees at each respective unit. Group Management has the overall responsibility for complying with the regulations. All employees must follow the company regulations applicable to their position and must report any relevant facts or violations to the responsible bodies.

5.3.4 Whistle Blower

Complaints Procedure:

Since 2015, there has been an Ombudsman for employees to contact if they wish to make a complaint, report fraudulent behavior or any abuse. As well as SGB-SMIT Group employees, third parties also have access to the complaints procedure and whistleblowing system via the group’s homepage.



5.4 DATA MANAGEMENT AND INFORMATION SECURITY

Data management and information security are critical components of SGB-SMIT Group’s operations. Effective data management ensures access and use of data in a way that supports operations and decision-making processes. At the same time, information security is necessary to protect the confidentiality, integrity, and availability of information assets. Information security is equally important to protect SGB-SMIT Group’s information from unauthorized access, theft, or misuse. By implementing effective information security measures, SGB-SMIT Group protects its valuable information assets from these threats and maintains the trust of its customers and stakeholders. Ultimately, effective data management and information security are essential to operate in a secure and sustainable manner. There are specific guidelines within the group concerning the German General Act on Equal Treatment (AGG) and data protection.

5.5 TRAININGS

Since 2020, the compliance measures have been accompanied by online on-demand training including tests. This training is mandatory for all management roles as well as all employees in sensitive areas such as sales and purchasing, etc. Trainings will be repeated with updated content on a regular basis.

The content has been tailored specifically to suit SGB-SMIT Group. In total, more than 2,800 trainings covering different compliance topics have been conducted in the years 2021 and 2022. The group has set as a target to reach a 100% of trained employees working in corresponding areas until 2024 at the latest.

Compliance training 2021 & 2022	2,836
Compliance basics training	663
Anti-corruption training	519
Anti Trust Law	194
Cartel law training	285
Product safety training	406
Cyber crime training	769

5.6 CERTIFICATES

Enduring quality, active environmental protection, comprehensive safety for the workforce and a verifiable energy management system: these are all partial aspects of SGB-SMIT Group's thinking and actions shaped by sustainability. To be able to meet standard objective requirements and targets in all of this, SGB-SMIT Group has sought certification in the relevant areas. As well as sustainability topics, certified processes include the achievement of comprehensive product safety.

Every single product is tested electrically and mechanically before leaving one of SGB-SMIT Group's factories. These are inspected in accordance with applicable standards and to all customer requirements. No product from SGB-SMIT Group leaves its production site without passing tests in accordance with current standards and regulations.

SGB-SMIT Group does not just comply with norms and standards, but also helps to draw them up. The group is represented at standardisation bodies involved in the development of requirements. Strict adherence to objectives and norms as well as certification are measures which pay off.

Certification is carried out across the group. Some of the certificates, which have been attained and apply to SGB-SMIT Group or some of its individual members are:

ISO 9001:2015
Quality management

ISO 14001:2015
Environmental management

ISO 45001:2018
Health and safety management

ISO 50001:2018
Energy management [German sites only]

Certification to the WHG
German Federal Water Act [German sites only]

Plant	ISO 9001:2015	ISO 14001:2015	ISO 45001:2018
SGB Regensburg	x ¹	x ¹	x ¹
SBG Neumark	x ¹	x ¹	x ¹
Royal SMIT Nijmegen	x ¹	x ¹	x ¹
SMIT Transformer Service Nijmegen	x ¹	x ¹	x ¹
SGB MY Nilai	x ¹	x ¹	x ¹
OTC Louisville	x ¹	x ¹	x ¹
SGB-USA Louisville	x ¹	-	-
RETRASIB Sibiu	x ¹	x ¹	x ¹
SGB CHINA Changzhou	x ¹	x ¹	x ¹
SGB INDIA Chennai	x ¹	x ¹	x ¹
SGB CZECH Olomouc	x ¹	x ¹	x ¹
SGB-SMIT POWER MATLA Pretoria West	x ¹	x ¹	x ¹
SGB-SMIT POWER MATLA Cape Town	x ¹	x ¹	x ¹
BCV TECHNOLOGIES Fontenay-le-Comte	x ²	x ²	x ²

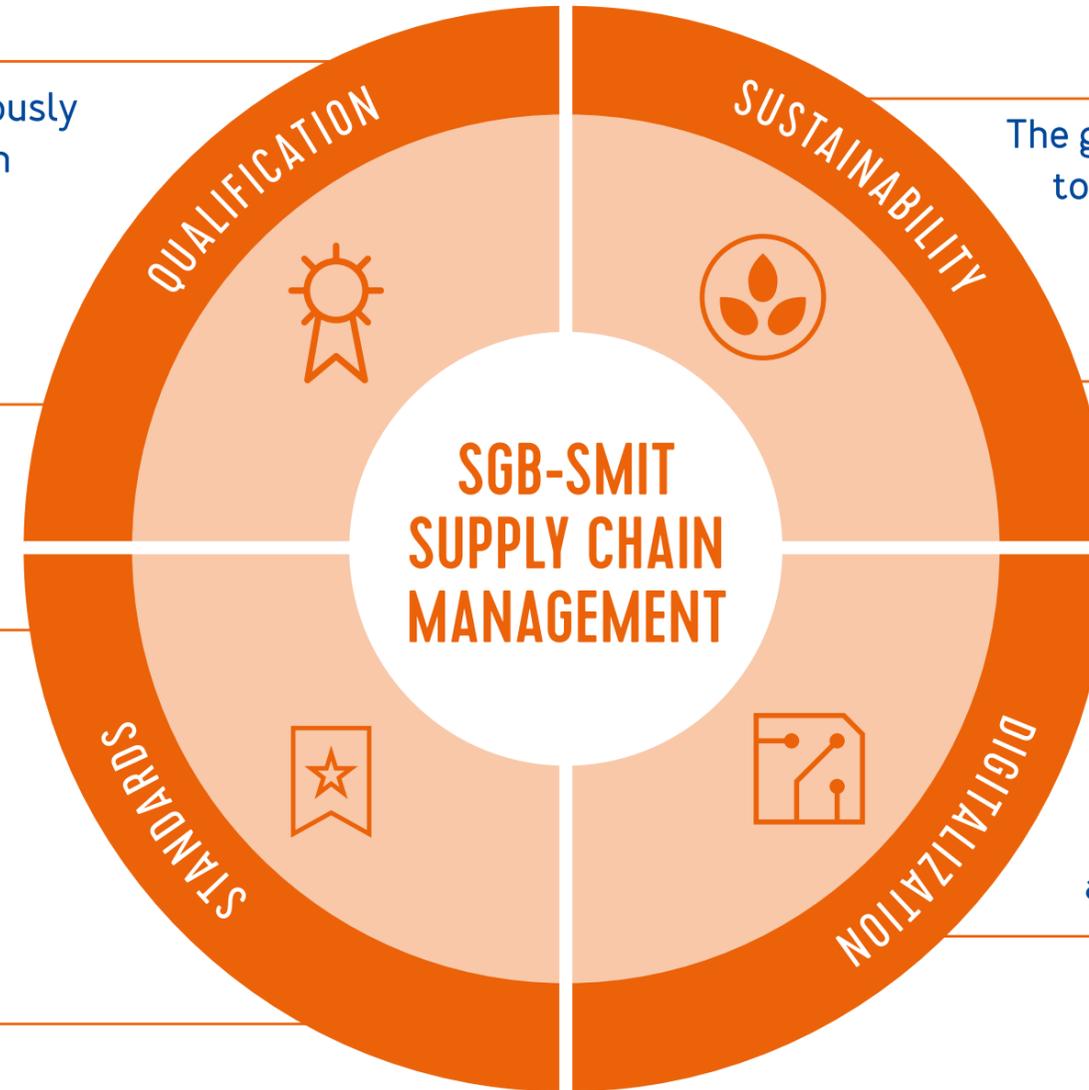
¹ TÜV-SÜD Management GmbH

² Bureau Veritas Certification

5.7 SUPPLY CHAIN MANAGEMENT

Our suppliers are continuously reassessed and have a high level of certification in accordance with our Code of Conduct and our quality requirements.

The system comprising local purchasing departments and group-wide lead buyers ensure a standard procedure for material and product procurement.



The group-wide standards relating to health, safety, environment and sustainability are also expected to be fulfilled by our suppliers.

The progressive digitalization is key to maintain our standards in all areas of the supply chain.

In 2022, SGB-SMIT Group generated a turnover of about 650 million Euros at all its suppliers. The sites purchased about half of this locally, i.e. within their respective country. Moreover, SGB-SMIT Group is driving forward the digitalisation of the entire supply chain. In this way, the group can document compliance in a system of global and sustainable procurement and trace the individual steps in the production chain – from raw material to the ready-for-use-transformer.

Central to these measures is a shared supply chain platform for planning, control and the group-wide exchange of information. There is also an option for whistleblowers here to report negligence or misconduct on the part of companies in the supply chain.

Sustainability efforts at SGB-SMIT Group’s supply chain management flow into a permanent risk management process. Its purpose is to detect risks in the supply chain

rapidly, identify their potential impacts, act accordingly and review the measures. The acquired knowledge constantly flows into the further optimisation of the supply chain.

5.7.1 Supplier Code of Conduct

Suppliers are obliged to comply with anti-corruption regulations through the Supplier Code of Conduct, which is an obligatory part of all new framework purchase contracts and orders. Every company wishing to become a supplier to SGB-SMIT Group must undertake to comply with this Code – just as each member of the group does. They are periodically reminded of the Supplier Code of Conduct in ongoing correspondence during cooperation and amendments or additions to the Code of Conduct are communicated directly – these must also be adopted by suppliers.

Furthermore, diligent screening of potential partner companies with respect to environmental management and occupational health and safety is carried out before awarding initial contracts. SGB-SMIT Group's Supplier Code of Conduct is always referred to in purchase orders, single contracts or framework agreements. Companies, which do not pass this screening process and/or support the Code of Conduct, cannot become a supplier and partner company to SGB-SMIT Group.

The Supplier Code of Conduct covers rules, requirements, guidelines, and corporate statements on the following contents, among others:

Bribery and corruption

Cartel law and competition law

Product liability and product safety

Fraudulent and suspicious items

Human rights and forced labor

Occupational health and safety

Social equality and freedom of association

Working hours, wages and social benefits

Data security

Sustainable handling of resources

Waste management

Quality Assurance Agreement

The Quality Assurance Agreement was introduced at SGB-SMIT Group as an additional measure of supplier appraisal in the context of sustainability and quality. This agreement is signed and fulfilled by key suppliers to the group. In the agreement, partner

companies declare that they support SGB-SMIT Group's QEHS Management System (Quality, Environment, Health, and Safety) by compliance with or certification to the following standards, initiatives, and norms:

ISO 14001

ISO 9001

ISO 45001

RoHS

REACH

CFSI (Conflict-Free Sourcing Initiative for minerals)

5.7.2 Supplier Audits

Compliance check items are already a major component of supplier appraisal and supplier evaluation. Supplier operations are regularly reviewed for corruption risks within the scope of the compliance re-audits; here too, all necessary remedial actions are taken promptly if the need arises.

These audits concern the technical quality of the purchased products as well as compliance with the Code of Conduct, but also other topics such as occupational health and safety.

The aim of SGB-SMIT Group is to ensure that group sustainability measures can be adhered to and put into practice across the entire lifespan of the cooperation.

Observations and findings ascertained within the scope of the audits is transferred to a verifiable evaluation system to decide whether the cooperation with the respective supplier company can be continued unchanged, improvement measures need to be taken or further cooperation is not possible.

These "Continuous Audits" are split according to product groups and contents are focused accordingly. The consistency with which the group takes the appraisal of suppliers forward has dual benefits: firstly, reinforcing the group-wide work on environmental, social and sustainability topics. Secondly, raising awareness amongst suppliers throughout the world of the importance of these topics, thus allowing them to become local multipliers of sustainable ideas.

SGB-SMIT Group has set as a target all suppliers receiving its new Supplier Code of Conduct by latest 2023 and having all Q1 suppliers audited on environmental pillar of sustainability and Q2/3/4 via self assessment by latest 2026.

Supplier Compliance Audit Procedure

Suppliers that as a result of the risk analysis are seen as critical in terms of human rights and environmental matters get an on-site audit by the Quality Management Team. Within this compliance audit the following eight areas are checked:

Compliance with laws and legal regulations

Respect for the employee's fundamental rights

Ban on child labour

Minimum wage and maximum permissible working hours,

Employee health and safety

Working conditions and social facilities,

Prohibition of bribery and corruption

SGB-SMIT Group Supplier Code of Conduct understanding and commitment.

All critical suppliers need to perform immediately a self-assessment. New and existing supplier who are not prioritized by the criteria above and are not categorized as uncritical within the risk analysis need also to perform a supplier self-assessment to be repeated every three years.

Procedure in case of identified Risks

In case of identifying any negative impacts on the above mentioned areas during audit, based on self-assessment or via the Whistle-blower system these impact risks are assessed and documented. Together with the supplier counter measures are defined, implementation status will be regularly checked. Should there be no progress visible after time being business relation will be stopped.

Risk Analysis for Direct Supplier

SGB-SMIT Group has 500+ active suppliers. Not all of them can be audited, therefore there will be a yearly risk mapping performed to cluster and prioritize. Generally, suppliers who are not complying to applicable laws and regulations (for example Supply Chain Act) and universal declaration of human rights (SDGs and ILO) are not accepted.

SGB-SMIT Group focuses on:

Suppliers of production materials and services

Suppliers with a higher human rights risk situation, based on scoring lists and other sources of information

Suppliers using/producing critical, e.g. environmentally hazardous substances

SGB-SMIT Group does not prioritise suppliers who need to comply with the German Supply Chain Act or similar regulations.

Suppliers clustered as critical based on the above mentioned criteria are prioritized according to the following aspects::

Extent and probability of occurrence of risks

Purchasing volume and strategic importance

Possibility of influencing the supplier

Raw Material Procurement in the Supply Chain

The production of transformers requires a certain amount of raw materials that are in short supply – and which partially may be extracted under ethically questionable conditions in some countries. In order to prevent the use of such raw materials and to reduce the consumption of resources overall, the topics of raw material procurement and recycling take a leading role in the Supplier Code of Conduct and suppliers also undertake to comply with them.

The goals of SGB-SMIT Group and its suppliers about raw material procurement include:

Resource-optimised development and production

Large proportion of recycled materials

Establishment of a material loop

Issuing material passports

These requirements relate to finished products as well as their packaging and shipping materials.

Recycling and Environmental Compatibility

The purchasing departments at SGB-SMIT Group make clearly formulated demands concerning environmental topics and the use of raw materials when placing orders. The group cooperates closely with partner companies to forge new paths in the areas of reclamation, raw material minimisation and material conservation. To date, it has been possible to establish the following specific measures, projects and procedures based on such environmentally focused cooperation:

Documented life cycle assessments and product passports

Return systems and packaging loops

Increasing the proportion of recycled material (e.g. copper, aluminium and steel)

Trialling recycled oils and development of biodegradable fluids and bio-based oils

6.0

GRI INDEX



The contents of this SGB-SMIT Group Sustainability Report are in line with the guidelines provided by the Global Reporting Initiative (GRI) applying the “Core” option. For the third time we are guided by the GRI Standard.

This report has been prepared referring to the GRI Standards: Core option. The report has not been externally audited. The reporting period for the present report is financial year 2022.

An updated version of the SGB-SMIT’s Sustainability Report is published on a yearly basis. A list of where find in this Sustainability Report the corresponding disclosures relating to the GRI Standards is listed below.

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	PROFILE OF THE ORGANISATION			
102-1	Name of the organisation		59	SGB-SMIT Group (SGB-SMIT Beteiligung GmbH, New Venture GmbH & Focus GmbH)
102-2	Activities, brands, products and services		13	
102-3	Location of headquarters			Ohmstraße 10, 93055 Regensburg, Germany
102-4	Location of operations		12	
102-5	Ownership and legal form		10	Owner OEP, Legal Form GmbH
102-6	Markets served		13	
102-7	Scale of the organisation		9–13	
102-8	Information on employees and other workers		33–40	
102-9	Supply chain		48–50	
102-10	Significant changes to the organisation and its supply chain			No significant changes
102-11	Precautionary principle or approach			Based on our Code of Conduct and our contribution to the SDGs
102-12	External initiatives			Participation at Vision 2045
102-13	Membership of associations and interest groups			Cigré, IEEE, T&D Europe, Representation on National and IEC Committees, Bayme vbm, IHK Regensburg



GRI Index	Disclosures	Omissions	Page	Comments
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	ETHICS AND INTEGRITY			
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102-21	Consulting stakeholders on economic, environmental and social topics		17	
102-26	Role of the highest governance body in setting purpose, values and strategy		14–19	
102-32	Highest governance body's role in sustainability reporting			Report is checked and approved by CEO
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102-47	List of material topics		17	
102-48	Restatements of information			No restatements
102-49	Changes in reporting			Complete revision and reorganisation of the report
102-50	Reporting period			01.01.2022 - 31.12.2022
102-51	Date of most recent report			April 2022
102-52	Reporting cycle			Annual
102-53	Contact point for questions regarding the report			sustainability@sgb-smit.group
102-54	Claims of reporting in accordance with the GRI Standards			The report refers to the GRI Standard applying "Core" option
102-55	GRI content index		51–58	
102-56	External assurance			Report has not been reviewed by third parties
MANAGEMENT APPROACH				
103-1	Explanation of the material topic and its boundary		21	
103-2	The management approach and its components		21	
103-3	Evaluation of the management approach		21	
ECONOMIC PERFORMANCE				
201-1	Direct economic value generated and distributed		11	
INDIRECT ECONOMIC IMPACTS				
203-1	Infrastructure investments and services supported		4–5	

GRI Index	Disclosures	Omissions	Page	Comments
	PROCUREMENT PRACTICES			
204-1	Proportion of spending on local suppliers		48	
	ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption		42	One risk identified, counter measures defined and implemented
205-2	Communication and training about anti-corruption policies and procedures		46	
205-3	Confirmed incidents of corruption and actions taken		42	
	ANTI-COMPETITIVE BEHAVIOUR			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		41–50	
	ENERGY			
302-1	Energy consumption within the organization		26–27	
302-3	Energy intensity		26–27	
302-4	Reduction of energy consumption		26–27	
302-5	Reduction in energy requirements of products and services		26–27 24	
	WATER			
303-1	Water withdrawal by source		30	
303-2	Water sources significantly affected by withdrawal of water		30	
303-3	Water recycled and reused		30	
	EMISSIONS			
305-1	Direct [Scope 1] GHG emissions		26–29	
305-2	Energy indirect [Scope 2] GHG emissions		26–29	
305-3	Other indirect [Scope 3] GHG emissions	Yes	28–31	Omission: information unavailable; Data for Scope 3 currently under evaluation

GRI Index	Disclosures	Omissions	Page	Comments
305-4	GHG emissions intensity		26–31	
305-5	Reduction of GHG emissions		23–31	
305-6	Emissions of ozone-depleting substances (ODS)			No ozone-depleting substances
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions			Such small quantities so not relevant
EFFLUENTS AND WASTE				
306-1	Water discharge by quality and destination			Waste water is disposed of via local sewers
306-2	Waste by type and disposal method		25, 31	
ENVIRONMENTAL COMPLIANCE				
307-1	Non-compliance with environmental laws and regulations		22–31, 47	
SUPPLIER ENVIRONMENTAL ASSESSMENT				
308-1	New suppliers that were screened using environmental criteria		48–50	
308-2	Negative environmental impacts in the supply chain and actions taken			No negative impacts identified
EMPLOYMENT				
401-1	New employee hires and employee turnover		33	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time workers			None
OCCUPATIONAL HEALTH AND SAFETY				
403-1	Occupational health and safety management system		38–40	
403-2	Hazard identification, risk assessment and incident investigation		38–40	
403-3	Occupational health services		38–40	
403-4	Employee participation, consultation and communication on occupational health and safety		38–40	
403-5	Employee training on occupational health and safety		38–40	
403-6	Promotion of worker health		36–40	

GRI Index	Disclosures	Omissions	Page	Comments
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		38–40	
403-8	Employees covered by an occupational health and safety management system		38–40	
403-9	Work-related injuries	Yes	39	Omission: information unavailable; detailed breakdown not available
403-10	Work-related ill health			Currently no cases of work-related ill health
TRAINING AND EDUCATION				
404-1	Average hours of training per year per employee	Yes		Omissions: information unavailable; currently no indicator available at global level
404-2	Programs for upgrading employee skills and transition assistance programs		37	
DIVERSITY AND EQUAL OPPORTUNITY				
405-1	Diversity of governance bodies and employees		34–36	
405-2	Ratio of basic salary and remuneration of women to men	Yes		Information unavailable
NON-DISCRIMINATION				
406-1	Incidents of discrimination and corrective actions		33	No breaches of principles of fair working conditions proven
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining might be at risk		43	
CHILD LABOUR				
408-1	Operations and suppliers at significant risk for incidents of child labour		43	
FORCED OR COMPULSORY LABOUR				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		43	
HUMAN RIGHTS ASSESSMENT				
412-1	Operations that have been subject to human rights reviews or impact assessments		43	



GRI Index	Disclosures	Omissions	Page	Comments
	LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs		40	
413-2	Operations with significant actual and potential negative impacts on local communities			No negative impacts on local communities
	SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria		48–50	
414-2	Negative social impacts on the supply chain and actions taken			No negative impacts identified
	PUBLIC POLICY			
415-1	Political contributions			No political contributions
	MARKETING AND LABELLING			
417-2	Incidents of non-compliance concerning product and service information labelling			No known incidents of non-compliance
417-3	Incidents of non-compliance concerning marketing communications			No known incidents of non-compliance
	CUSTOMER PRIVACY			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			No known complaints
	SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area			No fines based on non-compliance with laws



LIST OF ABBREVIATIONS

AGG	German General Act on Equal Treatment
CBAM	Carbon Border Adjustment Mechanism
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFSI	Conflict-Free Sourcing Initiative for minerals
CO₂	Carbon dioxide
CSR	Corporate Social Responsibility

CSRD	Corporate Sustainability Reporting Directive
ESG	Environment, Social and Governance
EU	European Union
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HR	Human Resources
HSE	Health, Safety and Environment

ILO	International Labor Organization
IT	Information Technology
LCA	Life Cycle Assessment
LTIFR	Lost Time Injury Frequency Rate
LTISR	Lost Time Incident Severity Rate
NPS	Net Promotor Score
OEP	One Equity Partners

R&D	Research and Development
SBTi	Science Based Targets Initiative
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
Sust. Mgr.	Sustainability Manager



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