The Management Board of ElringKlinger AG

from left to right

Dirk Willers
CSO

Thomas Jessulat
CHAIRMAN OF THE MANAGEMENT BOARD

Reiner Drews
COO

elringklinger.com > Company > Management Board

Letter to Shareholders

Dear Shareholders,
Ladies and Gentlemen,

ElringKlinger is in the midst of a transformation. Our core business relating to the long-standing units within the Group remains strong. The associated products have been tried and tested for decades, which includes continuous optimization and refinement. Alongside the state-of-the-art cylinder head gaskets featured in this portfolio, our cam covers and elastomer gaskets are prime examples of our efforts in this field. The Group generates the majority of its annual revenue with products used in internal combustion engines. This business model provides the financial resources needed to drive the Group’s transformation process. ElringKlinger is an acknowledged partner when it comes to developing efficient product solutions tailored to every facet of the optimized combustion engine.

At the same time, we have made a point of gradually evolving our expertise over the past decades. Our focus was and remains on the growth areas of electromobility and the hydrogen economy. We have developed a broad product portfolio centered around battery, drive system, fuel cell, and electrolyzer applications. The financial year just ended saw us secure a number of orders. This includes, for example, a high-volume nomination by the BMW Group for its “New Class” series. Customers have also nominated us in the Metal Forming & Assembly Technology business unit, which to date has mainly been producing punched and formed parts as well as shielding systems. Among them, for example, are a global Tier 1 supplier with a nomination for battery housings and a global battery manufacturer with one for battery housing components. Furthermore, in the second half of the financial year under review, series production commenced for an order placed by a global battery manufacturer covering a total volume in the mid triple-digit million euro range. Nominations such as these confirm that the strategic direction we have taken is the right one. Not only when it comes to providing a compelling product proposition but also in our efforts to tap into new customer groups. ElringKlinger is an established partner for the drive technologies of the future.

Alongside the nominations received over the course of the year, ElringKlinger’s business performance as a whole proved thoroughly successful despite difficult market conditions. Group revenue reached a level of EUR 1.85 billion which corresponds to organic growth of 4.6%. Recording an adjusted EBIT margin of 5.4%, we once again boosted the Group’s profitability and, at EUR 36.7 million, achieved year-on-year growth in operating free cash flow. As a result, we were able to further reduce net financial liabilities and lower our net debt-to-EBITDA ratio to 1.6. Based on this solid foundation, we, the Management Board, together with the Supervisory Board, are proposing to you, our valued shareholders, a dividend payment of EUR 0.15, unchanged from the previous year. It is this proposal that will be presented to the Annual General Meeting, thus reflecting our belief that shareholders should benefit appropriately from the company’s successful performance.

For my Management Board colleagues Reiner Drews and Dirk Willers and myself, the above-mentioned financial metrics represent the starting point in our efforts to advance the Group in the coming years. In this context, our primary mission is to continue the successful transformation of ElringKlinger. This clearly defined strategic focus includes reviewing the Group’s portfolio to ensure that it is fit for the future. We will analyze exactly which of our product groups can be considered promising, and we will focus our full attention on these activities. After all, focus has always been one of ElringKlinger’s key strengths.

Looking ahead, ElringKlinger has committed itself to a strategic concept, referred to as SHAPE30, which, as the name suggests, will assist us in our efforts to further shape the Group. It provides the basis for guiding ElringKlinger toward a successful future. The first step is product transformation. Taking a consistent approach, we will continue to build on the milestones we have already achieved with the ambition of pursuing our successful path of transformation. Our long-standing business is very well positioned within the market. Following the ramp-up of series production associated with high-volume orders in the field of new drive technologies, we will be able to cover our costs to a greater extent on the back of higher revenues, thus emerging from the current start-up phase. Against this backdrop, the overall profitability of the Original Equipment segment looks set to improve in the medium term. In the Aftermarket segment, meanwhile, our growth strategy is already taking effect, particularly in the regions of North and South America as well as China. Indeed, our positioning in this segment is very solid overall. The Engineered Plastics segment is making its contribution to diversifying the Group. In this area, we can draw on a successful track record not only in the automotive industry but also in market segments such as medical technology and mechanical engineering.

Alongside product transformation, the aspect of sustainability plays a key role. We are committed to gearing the Group toward sustainability, the ultimate goal being to pass on a world that is viable for future generations. We plan to be carbon-neutral in net terms worldwide by 2030 and are integrating not only environmental considerations into our activities but also social and ethical aspects. The latter includes, above all, sound corporate governance. The future will also bring a raft of new statutory requirements in the area of sustainability, for which we are already making the necessary preparations.

At the same time, it is essential that we take a determined approach to advancing digitalization. This creates added value for both our customers and the Group. We are also keen to leverage further potential through process and performance excellence.

In parallel, we are determined to evolve ElringKlinger's corporate culture. After all, our employees form the core of the Group. It is therefore all the more important that we continue to offer an appropriate framework that allows team members to perform to the best of their ability. In this context, I would like to thank, also on behalf of my colleagues on the Management Board, all employees around the globe – whether in Japan, South Korea, China, Thailand, Indonesia, or India, whether in South Africa, Brazil, Mexico, the USA, or Canada, whether in the United Kingdom, France, Spain, Italy, Hungary, Romania, Turkey, Switzerland, or Germany – for their tireless efforts. They are our Group's most valuable asset.

ElringKlinger has a strong foundation on which to successfully embark on the next stage of its transformation. We are thoroughly committed to building on this foundation in an effort to increase enterprise value. With its broad and compelling product portfolio, its long-standing business as the backbone for ongoing change, and its strategic positioning, complemented by its sales performance in the field of new drive technologies, ElringKlinger is a transformation success story.

Please see for yourself on the following pages and in our "pulse" magazine.

Dettingen/Erms, March 2024

Yours sincerely, Thomas Jessulat

Thomas Jessulat
Chairman of the Management Board

Report by the Supervisory Board 2023

On the back of a slight year-on-year upturn in revenue, operating profit at ElringKlinger was again encouraging in 2023, thus reflecting the company's robust performance in the financial year just ended. Ongoing conflicts and wars, particularly in Ukraine and the Middle East, had and continue to have a significant impact on the global economy, which manifests itself above all in a considerable degree of uncertainty and volatility. In spite of these circumstances, ElringKlinger was able to take further important steps forward when it came to the process of transitioning to electromobility, which included acquiring projects associated with prestigious vehicle manufacturers. As a development partner and supplier to the automotive industry, ElringKlinger's strategic approach of manufacturing sophisticated components and systems for vehicles powered by combustion engines as well as electric drives is proving to be an appropriate route in pursuit of sustained commercial success in the coming years.

In the financial year just ended, the Supervisory Board of ElringKlinger AG again discharged in full the duties incumbent on it according to the law, the Articles of Association, the rules of procedure, and the German Corporate Governance Code. It supervised the Management Board and acted in an advisory capacity with regard to issues of material importance. The Supervisory Board received appropriate monthly reports from the Management Board on key figures, matters of business, and events. In addition, the Chairman of the Supervisory Board and the Chairman of the Management Board (CEO) were in regular and ongoing contact and exchanged information in particular on the economic situation, important business developments, and other significant events. The Chairman of the Supervisory Board informed the other members of the Supervisory Board about significant occurrences. The Chairman of the Supervisory Board and the entire Supervisory Board were therefore able to form a sufficient picture of the business policies, corporate planning, profitability, and situation relating to the company and the Group. In line with statutory requirements, the Supervisory Board was involved in all decision-making processes of material importance. In particular, strategically important decisions were discussed in detail with the Management Board and debated at Supervisory Board meetings. In those cases in which decisions or measures taken by the Management Board required the approval of the Supervisory Board, such approval was obtained accordingly.

The Supervisory Board convened for four scheduled and two extraordinary meetings in the reporting period. At the scheduled meetings, the Management Board regularly provided a detailed overview of business developments, particularly as regards the direction taken by revenue and earnings as well as the cash flows and financial performance of the Group, ElringKlinger AG, and its subsidiaries. The Management Board presented its latest projections together with its evaluation of the economic, market, and competitive situation. In addition, the Management Board supplied regular information on the current risk situation at ElringKlinger and, where necessary, relevant compliance-related issues, significant legal disputes, and other matters of fundamental importance. The meetings also focused on the Group's strategic direction in light of the ongoing transformation of the vehicle industry. Particular attention was also devoted to the key issues of sustainable positioning of the Group in all areas of business. In dealing with potential risks, the security of IT-supported systems and, in particular, protection against cyber attacks was of essential importance. Another regular item on the agenda was the Audit Committee report furnished by the Chairman of the Audit Committee.

In addition to the agenda items already outlined above, the Supervisory Board dealt with the following topics, among others, at its meetings over the course of the year under review:

On January 23, 2023, the Supervisory Board was informed in detail about current strategic projects as part of an extraordinary meeting. It discussed and resolved the company's target in respect of the proportion of women on the Management Board and approved the Management Board's proposal to hold the Annual General Meeting in a virtual format.

At its scheduled meeting on March 23, 2023, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2022, the 2022 annual report, including the Supervisory Board report, the corporate governance report, the compensation report, the combined non-financial report, and the auditor's report compiled by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board adopted the annual financial statements of ElringKlinger AG, endorsed the consolidated financial statements together with the combined management report,

Klaus Eberhardt
CHAIRMAN OF THE SUPERVISORY BOARD

and approved the non-financial report. The results of the efficiency review conducted in respect of the duties discharged by the Supervisory Board were presented and discussed by the board members. The Supervisory Board also approved the agenda for the Annual General Meeting on May 16, 2023. As regards the existing compensation system relating to the Management Board, the so-called modifiers were determined in respect of the 2023 financial year. At the proposal of the Personnel Committee, Mr. Jessulat's term of office on the Management Board was extended until December 31, 2028.

The Supervisory Board held an extraordinary meeting on April 6, 2023. The items on the agenda consisted of the dismissal of Dr. Wolf as Chief Executive Officer of ElringKlinger AG, the approval of the conclusion of a termination agreement, and the appointment of Mr. Thomas Jessulat as Spokesperson of the Management Board.

At the scheduled Supervisory Board meeting held on July 27, 2023, in addition to the usual agenda items outlined above, key projects in the field of e-mobility were presented by those responsible within the company. The Supervisory Board resolved to commission Deloitte Wirtschaftsprüfungsgesellschaft GmbH to assist it in reviewing the non-financial report.

At its scheduled meeting on September 28, 2023, the Supervisory Board resolved to appoint Mr. Jessulat as Chairman of the Management Boar (CEO) with effect from October 1, 2023, and to appoint Mr. Willers as a member of the Management Board for an initial period of three years. It also discussed the current status of corporate planning.

The agenda of the ordinary meeting held on December 7, 2023, included the 2024 budget and medium-term business planning as scheduled. Furthermore, the Supervisory Board discussed the audit and compliance report as well as the status of the internal control system. In this context, those attending the plenary meeting of the Supervisory Board were also furnished with information by the Chairman of the Audit Committee, after these issues had been dealt with extensively at the preceding Audit Committee meeting. In addition, the company's sustainability strategy and progress made in implementing this strategy were presented to the Supervisory Board. After discussing the respective points of argument, the Management Board and Supervisory Board decided to hold the upcoming Annual General Meeting as a virtual event and to avail themselves of the authorization granted in the company's Articles of Association. Finally, the Supervisory Board approved the declaration of conformity with the German Corporate Governance Code for 2023 without any changes compared to the previous year.

The Audit Committee convened on four occasions during the year under review. The meeting in March 2023 was centered around the review of the 2022 annual financial statements together with the associated auditor's report. Furthermore, the Audit Committee dealt with the status of the internal control and risk management system, the compliance system, and the organization of data protection and IT security on an ongoing basis at its meetings held in July, September, and December 2023. Other recurring items on the agenda included the issue of future requirements in respect of sustainability reporting. The agenda of the Audit Committee meeting in December 2023 included the process of determining the focal points of the audit for the 2023 financial year, the procedures with regard to the audit of the financial statements, and the report on the internal audit, compliance, and currency risk management. The auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who were responsible for the audit, attended the meeting in March 2023 and the auditors of Deloitte Wirtschaftsprüfungsgesellschaft GmbH, who were appointed for the 2023 financial year, attended the other meetings for part of the time. In particular, the Audit Committee also monitored the independence and efficiency of the auditor.

The Personnel Committee met on three occasions during the 2023 financial year, in March, April, and September, in particular to prepare the resolutions to be adopted by the Supervisory Board in personnel matters. No meetings were convened by the Nomination Committee. The Mediation Committee did not have to be convened during the financial year just ended.

All members attended the Supervisory Board meetings in 2023, with the exception of one meeting at which a Supervisory Board member was unable to attend. One committee member was unable to attend the Audit Committee meeting in December for good reason. All meetings of the Supervisory Board and its committees were held with all members physically present, with one member attending two different meetings on a virtual basis. During the reporting period, the Supervisory Board met without the presence of the Management Board at one extraordinary meeting and, for part of the time, at one of the scheduled meetings.

There were no conflicts of interest during the 2023 financial year between Supervisory Board members and the company.

In accordance with the German Corporate Governance Code, the Supervisory Board, as in previous years, conducted an efficiency review in respect of its board and committee activities for the 2023 reporting year, using a questionnaire to be answered by all members. Suggestions were taken on board and are being incorporated into the work of the Supervisory Board.

In accordance with the requirements of the German Corporate Governance Code, the company supports the members of the Supervisory Board with regard to professional training measures. Fundamentally, it is at the discretion of the respective Supervisory Board member which measures he or she considers suitable and appropriate. In the year under review, no member of the Supervisory Board participated in professional training events for which the company bore the costs.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for the 2023 financial year, as presented by the Management Board, were audited by the auditors Deloitte Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board following the appointment of the auditor by the Annual General Meeting on May 16, 2023. In accordance with Section 315e of the German Commercial Code (HGB), the consolidated financial statements of ElringKlinger AG were prepared on the basis of International Financial Reporting Standards (IFRS). The auditing firm issued unqualified audit opinions for the annual financial statements of ElringKlinger AG as well as for the consolidated financial statements, including the combined management report, for the financial year 2023. The Supervisory Board was in possession of the documents relating to the financial and consolidated financial statements as well as the two audit reports compiled by the auditor. The aforementioned documents were studied in depth by the Audit Committee and the Supervisory Board as a whole before being discussed at length and examined in the presence of and in consultation with the competent auditors. The Supervisory Board concurred with the outcome of the audit. No objections were raised. At its meeting on March 26, 2024, the Supervisory Board adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements together with the combined management report. Additionally, the Supervisory Board approved the non-financial report.

The Supervisory Board would like to thank the Management Board and all members of staff at ElringKlinger AG and its subsidiaries in Germany and abroad for their tremendous commitment in a year that again was far from easy given the general circumstances.

Dettingen, March 26, 2024

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

Over the course of 2023, the world's capital markets were shaped by macroeconomic uncertainty, heightened volatility, and oscillating market sentiment. The route taken by the financial markets was determined by a multitude of influencing factors. These included key economic and inflation data, interest rate hikes by the world's major central banks, the suspension of the US debt ceiling, turbulence within the banking sector at the beginning of the year, the protracted conflict in Ukraine, and the outbreak of war in Gaza. Against this challenging backdrop, the price of ElringKlinger shares fell by 21% in the course of the year. In the 2023 financial year, the Group furnished comprehensive and transparent information on its business performance and strategic orientation. At the same time, ElringKlinger maintained a close dialogue with the capital market.

Stock markets driven by inflation and geopolitics

Inflation rates in the eurozone and the United States declined steadily over the course of 2023, from 8.6% to 2.4% and from 6.4% to 3.1% respectively. This downturn was attributable primarily to lower energy prices, while the restrictive monetary policy adopted by the US Federal Reserve (Fed) and the European Central Bank (ECB) also had a dampening effect on inflation. In support of a so-called "soft landing" of the economy, the Fed paused interest rate hikes in the summer months, having previously raised rates for the fourth and final time in 2023 at the end of July. As a result, the US Federal Reserve maintained its benchmark interest rate in a range of 5.25% to 5.50%. Over the course of the year, the ECB raised its main refinancing rate in six steps from 2.50% to 4.50%.

After a buoyant start to the year for the various benchmark and sector indices, stock markets consolidated amid mounting concerns over the banking system in the United States. Markets were unsettled not only by the bankruptcy of Silicon Valley Bank in the United States but also by the woes facing Credit Suisse. In addition, high inflation and a restrictive policy adopted by central banks around the world were among the key factors affecting capital markets in the first quarter. Alongside key data relating to economic performance and inflation, the focus in the second quarter was on negotiations aimed at raising the US debt ceiling. Stock markets benefited from diminishing uncertainty among investors with regard to prevailing macroeconomic conditions.

Cyclical stocks, in particular, came under pressure in mid-2023, with the latest headlines from China adversely affecting capital market sentiment. Almost all regions saw share prices plummet in the third quarter. In this context, there were significant differences in the route taken by the various sectors. Against the backdrop of persistently high levels of uncertainty within the capital markets, stocks with limited liquidity and low market capitalization in particular continued to lose ground, as a result of which the performance of Germany's share indices was mixed.

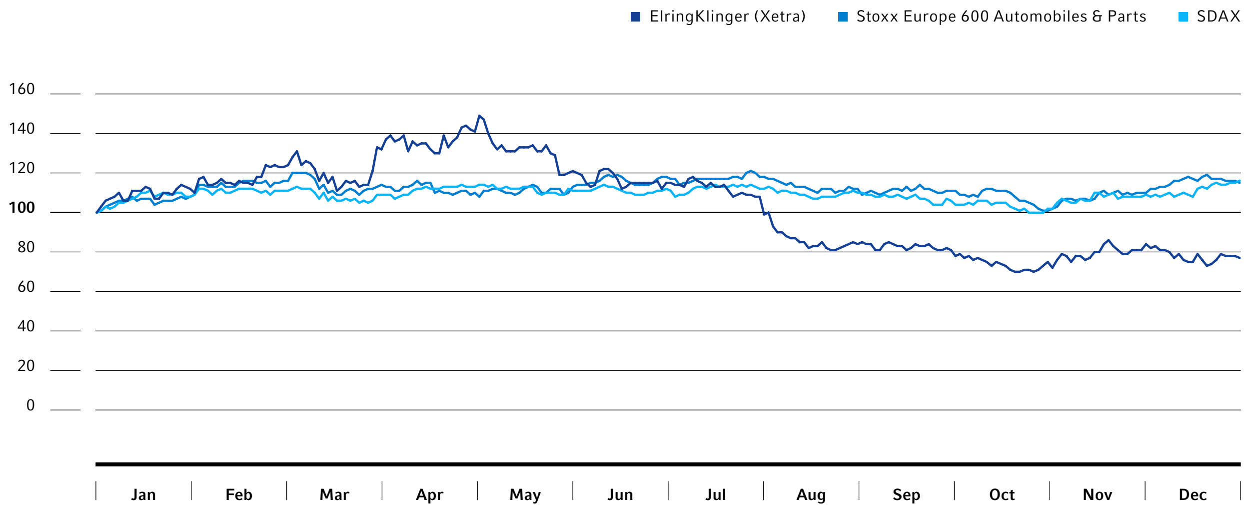
Fueled by the attack on Israel by the terrorist militia Hamas on October 7 and the subsequent escalation of tensions in the Middle East, stock markets were dominated by uncertainty and restraint. Demand for oil and gold rose.

Amid statements made by the US Federal Reserve at the end of the year, there were growing hopes of a less restrictive monetary policy in the United States. A surprisingly sharp fall in US inflation in October also provided fresh impetus. Stock markets were boosted by speculation over the possibility of the key interest rate having peaked and potential interest rate cuts. On December 14, Germany's blue-chip index, the DAX, reached a new record high, rising above the 17,000-point mark for the very first time. This was prompted by statements made by the Fed's central bankers the previous evening, fueling expectations of lower interest rates.

Tech stocks bullish amid AI boom

Despite numerous obstacles and crises, the year proved to be a good one for benchmark indices. The boom in artificial intelligence (AI), starting with the market launch of ChatGPT, provided an exceptional boost to many technology stocks. The US stock market in particular benefited from these

ElringKlinger's share price performance from January 1 to December 31, 2023 (indexed)
in %



developments, with the tech-laden Nasdaq 100 index rising by 55.1% over the course of the year. Meanwhile, the broad-market S&P 500 gained 26.3%. The DAX was up by 20.3% at the end of the 2023 year of trading. With the exception of Japan, 2023 proved to be a sluggish year of stock market trading for Asia. The Hang Seng lost 10.5%, the Shanghai Stock Exchange (SSE) Composite Index fell by 1.0%, while Japan's benchmark index, the Nikkei, gained 30.9%.

Year of disparate performances for ElringKlinger stock

The 2023 financial year began with an upbeat performance for ElringKlinger's stock. Initially, the company's shares followed a positive trajectory that propelled them to a temporary high of EUR 9.36 on March 6. This was fueled by the Group's announcement of its preliminary results for the 2022 financial year. ElringKlinger shares once again posted significant gains toward the end of the first quarter. This upturn coincided with the presentation of the Group's definitive results for the 2022 financial year and the announcement of a large-scale series production order in the field of fuel cell* technology.

On the back of this, the second quarter saw ElringKlinger shares trend further upwards. At the beginning of May, ElringKlinger's share price reached an annual high of EUR 10.64 following the announcement of a major series production order placed by BMW in the field of battery technology. In the period up to July, the stock subsequently returned to the performance level seen within the market as a whole.

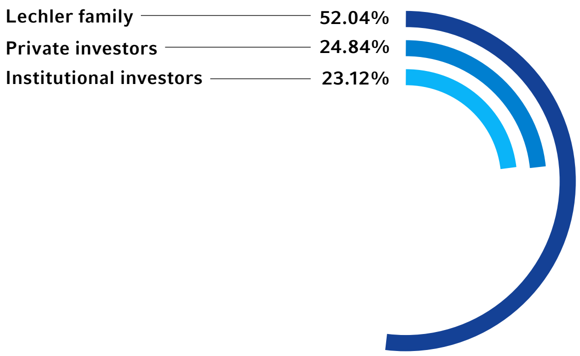
Key Indicators for ElringKlinger's Stock

	2023	2022
Earnings per share IFRS (after non-controlling interests, in EUR)	0.62	-1.41
Shareholder's equity per share as of Dec. 31 (in EUR)	14.37	14.15
High (in EUR)[1]	10.64	13.70
Low (in EUR)[1]	4.98	5.85
Closing price as of Dec. 31 (in EUR)[1]	5.52	6.96
Dividend per share (in EUR)	0.15[2]	0.15
Average daily trading volume (German stock exchanges; volume of shares traded)	62,609	101,958
Average daily trading value (German stock exchanges; in EUR)	475,910	877,529
Market capitalization as of Dec. 31 (EUR millions)[1]	349.7	441.0

[1] Xetra trading
[2] Proposal to the 2024 Annual General Meeting

* Cf. glossary

Shareholder structure as of December 31, 2023



Automotive stocks largely driven by sector and macroeconomic data

ElringKlinger's share price slumped markedly in the second half of the year, a situation that lasted until mid-August. Among other things, expectations concerning global vehicle production for the second half of 2023 had become noticeably gloomier after previous optimism. This was compounded by strikes at the major US OEMs ("Detroit Three") in September and October, the scale of which gradually expanded at the initiative of the UAW trade union. Against this backdrop, automotive stocks around the world came under increasing pressure.

From mid-August onwards, ElringKlinger's share price trended sideways in line with the market, with volumes remaining comparatively low, before a surprisingly sharp fall in US inflation acted as a positive catalyst for stock markets in mid-November. The announcement on November 15 that EKPO had been notified of a grant for the "IPCEI* Hydrogen" program provided additional momentum for ElringKlinger's shares. In December, stock markets were buoyed by statements emanating from the US Federal Reserve with regard to monetary policy, which also had a positive impact on ElringKlinger's shares. The company's stock ended the 2023 year of trading at a price of EUR 5.52.

Trading volume down on previous year

The trading volume of ElringKlinger shares during the 2023 financial year was down on the prior-year level. On average, 62,609 shares (2022: 101,958 shares) were traded on stock exchange days. At TEUR 476 (2022: TEUR 878), the daily value of ElringKlinger's stock traded on average on German stock exchanges was down markedly on the figure for 2022.

Despite a positive performance of share prices in some cases, many German equities, particularly small and mid-caps, saw a significant outflow of liquidity compared to previous years, as many investors increasingly re-allocated their funds to fixed-interest investments in the wake of rising interest rates. The decline in liquidity relating to ElringKlinger shares mirrored that of the market as a whole as well as that of numerous peers, i. e., similar stocks within the automotive sector. Despite this downturn, a sufficiently high level of liquidity was available in the stock market at all times over the course of the 2023 financial year to also conduct larger share transactions.

Virtual Annual General Meeting well attended

As in the three preceding years, the Annual General Meeting (AGM) of ElringKlinger AG, which took place on May 16, 2023, was held virtually. The decision in favor of a virtual event was taken by the Management Board together with the Supervisory Board at the end of January, primarily in consideration of sustainability issues relating to Group events and the higher degree of flexibility offered to both domestic and foreign shareholders. In total, 73.2% of the voting share capital was represented at the Annual General Meeting.

Annual General Meeting approves dividend of EUR 0.15 per share

In his speech, CEO Dr. Stefan Wolf looked back on the 2022 financial year, which was defined by major geopolitical challenges, spiraling energy and commodity prices, across-the-board inflation, and imbalances in various supply chains. Despite these conditions, ElringKlinger reported a satisfactory 2022 financial year overall from an operational perspective. The Annual General Meeting concurred with the joint proposal by the Management Board and the Supervisory Board for the payment of a dividend in keeping with the company's balanced dividend policy. The proposed dividend of EUR 0.15 per share was approved by a large majority of 99.7%. All other proposed resolutions were also approved by a large majority in each case.

Shareholder structure remains well balanced and largely unchanged

Compared to the previous year, there was no change in the ratio of shares in free float to those in family ownership. The ownership interest held by the Lechler family at the end of 2023 totaled 52.04% of the 63,359,990 no-par-value shares issued. Within the free float (47.96%) the company saw just a slight shift in the overall structure toward private investors. As of December 31, 2023, institutional investors held 23.12% (2022: 23.89%) of the shares, while 24.84% of the shares were held by private investors (2022: 24.07%).

Key indicators for ElringKlinger's stock

International Securities Identification Number (ISIN)	DE0007856023
German Securities Identification Code (WKN)	785602
Exchange symbol	ZIL2
Ticker symbol Bloomberg	ZIL2
Ticker symbol Reuters	ZILGn.DE
Share capital	EUR 63,359,990
Number of shares outstanding	63,359,990 shares
Stock exchanges	Xetra and all German exchanges
Market segment	Regulated Market
Transparency level	Prime Standard

ElringKlinger in dialogue with the capital markets

Against the backdrop of the coronavirus pandemic, virtual communication channels were indispensable when it came to engaging with the financial markets in previous years. And even though face-to-face contact is still considered essential, virtual and hybrid formats have nevertheless established themselves as a genuine alternative to in-person events. As usual, the Group reported continuously, promptly, comprehensively, and transparently on all current and future developments of relevance to the company and the industry as a whole. In this context, ElringKlinger relied on various communication channels for the purpose of interacting with capital markets.

ElringKlinger took part in a total of six national, international, and continental European capital market conferences in 2023, both virtually and in person. In addition, ElringKlinger engaged in dialogue with the capital markets as part of several other capital market events and held numerous one-on-one meetings with investors and analysts.

Upon publication of its quarterly results, ElringKlinger organized conference calls for capital market players. The conferences were streamed live on the internet and subsequently published on the Group's website, including the associated presentation. In addition, a financial results press conference and an analysts' conference were held upon publication of the annual report – both as in-person events. In this context, the Management Board of ElringKlinger AG outlined the company's results of the financial year just ended and presented details of the Group's strategic orientation to the journalists and analysts in attendance.

Capital markets embrace sustainability

Sustainability is playing an increasingly prominent role within the capital markets. The focus is not only on a company's strategy for sustainable business but also on progress made in the field of sustainability. From an equity perspective, the spotlight has shifted to ESG* criteria, which cover environmental, social, and governance issues. Both retail and institutional investors are already incorporating ESG criteria into their investment decisions. There is also evidence to suggest that sustainability criteria are playing an increasingly important role in debt financing, whether when it comes to the loan decision itself or with regard to the advantages surrounding loan costs based on a good sustainability track record.

The latest 2022 Sustainability Report is the twelfth report of its kind published by the ElringKlinger Group, outlining its achievements relating to the environmental, social, and economic dimensions of corporate sustainability. The report was published in mid-2022 and is available in German and English. It can be accessed on ElringKlinger's website, under the Sustainability section.

Corporate governance

In accordance with Principle 23 of the German Corporate Governance Code in the version of April 28, 2022, the Management Board and the Supervisory Board report annually on corporate governance in the corporate governance statement, which also includes the declaration of conformity adopted on December 7, 2023. The statement can be accessed on the company's website at https://elringklinger.de/en/company/corporate-governance.

2023 Sustainability Report

ElringKlinger's annual Sustainability Report contains detailed information and key metrics relating to products and innovations, production and the environment, the supply chain, employees, social commitment, and corporate governance. The 2023 Sustainability Report is scheduled for publication on the ElringKlinger Group's website at https://elringklinger.de/en/sustainability/publications in mid-2024.

* Cf. glossary

Compensation Report

The compensation report of ElringKlinger AG presents in a transparent and readily intelligible manner the compensation individually granted and owed to the members of the Management Board and the Supervisory Board for the 2023 financial year, in addition to providing detailed explanations. The report complies with the requirements of the German Stock Corporation Act (Aktiengesetz – AktG). The current compensation system applies as from the 2021 financial year and was approved by the Annual General Meeting on May 18, 2021, with a majority of 98.8%.

The compensation system for Management Board members is aligned with the company's long-term corporate strategy as well as its objective of sustained success and sets corresponding incentives for the Management Board. The compensation system takes into consideration the size, complexity, and financial situation of the company as well as its prospects for the future. Therefore, the compensation system consists of parameters that are transparent and performance-based, in addition to embracing the aspect of sustainability. The focus of the compensation system is on the duties and performance of the entire Management Board.

The proportion of variable compensation exceeds that of fixed compensation. Additionally, the target value of long-term variable compensation is higher than that of short-term variable compensation.

This structure in respect of compensation components is aimed at promoting positive corporate development. The larger variable proportion of long-term variable compensation in particular provides an incentive to safeguard the company's sustained performance and to focus on positive long-term corporate development.

In summary, the compensation system is aimed at supporting and fostering the company's transformation and evolving the company in pursuit of long-term profitability.

Compensation structure for members of the Management Board

System of compensation

The following table provides an overview of the components of the compensation system for Management Board members applicable to the 2023 financial year, the structuring of the individual compensation components, and the objectives on which they are based:

Component	Objective	Structuring
Non-performance-based compensation		
Basic compensation	Securing a basic income	Cash compensation
	Alignment with the Board member's area of responsibility	Payment in twelve monthly installments
Fringe benefits		Company car
		Insurance benefits
Benefits for private pension provision	Securing adequate pension provision	Payment of an annual fixed amount
Performance-based compensation		
Short-Term Incentive (STI)	Profitable growth of the company	Year-on-year comparison of EBIT
		Year-on-year comparison of operating free cash flow
		Modifier for additional targets to be agreed
		Payment in cash
Long-Term Incentive (LTI)	Sustainable corporate performance and incentivization toward growth in enterprise value through share subscription	Granting at the beginning of a financial year based on the year-on-year comparison of EBIT and operating free cash flow
		Modifier for additional targets to be agreed
		Payment in cash with the proviso that shares shall be acquired in ElringKlinger AG and subsequently held for four years
Benefits in the event of termination of employment		
Termination by mutual consent	Avoidance of excessive severance payments	Severance payment limited to remaining term of employment contract or maximum of two years' compensation
Other compensation arrangements		
Malus/clawback	Sustained corporate performance	Option for the Supervisory Board to withhold STI and LTI or to reclaim compensation already paid
Maximum compensation	Restriction of disbursements to an appropriate level due to possible exceptional circumstances	STI: two times the individual allocation value
		LTI: two times the individual allocation value
Deviations from the system of compensation	Safeguarding the sustained performance of the company	In exceptional circumstances the Supervisory Board has the authority to determine a different agreement

2022 Compensation Report

The 2022 Compensation Report was approved by 96.81% of the votes at the Annual General Meeting on May 16, 2023. Due to the approval, there was no reason to question the reporting or implementation.

Changes to Management Board

There were several changes to the Management Board in the 2023 financial year. With effect from June 30, 2023, Dr. Stefan Wolf's appointment as Chairman (CEO) and member of the Management Board was terminated following a resolution adopted by the Supervisory Board on April 6, 2023. The termination and severance agreement concluded in this context regulates the settlement of contractual rights as part of a one-off payment in the amount of EUR 4,424k, taking into account the severance cap of a maximum of two years' compensation. The one-off payment was made in June 2023. A retention period until June 30, 2025, was agreed in respect of shares in the company acquired under the share ownership guideline. All retirement benefit rights granted shall remain valid.

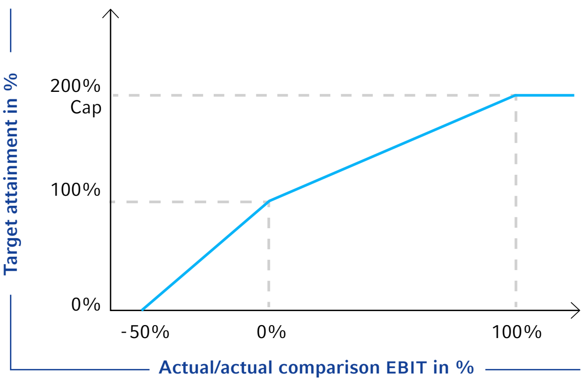
At the meeting on September 28, 2023, the Supervisory Board appointed Thomas Jessulat, previously Chief Financial Officer, as Chief Executive Officer. Thomas Jessulat had already performed this role on an interim basis as Spokesperson of the Management Board. In addition, Dirk Willers was appointed to the Management Board. Both appointments were made with effect from October 1, 2023.

Short-Term Incentive (STI)

The STI is based on the two key financial performance targets EBIT* (earnings before interest and taxes) and Operating FCF (operating free cash flow*), each weighted at 50%. It is granted annually and paid out in cash. The audited, certified, and approved consolidated financial statements of ElringKlinger AG are authoritative for both indicators. In the event of extraordinary circumstances, it is at the discretion of the Supervisory Board to set parameters deviating from the audited figures.

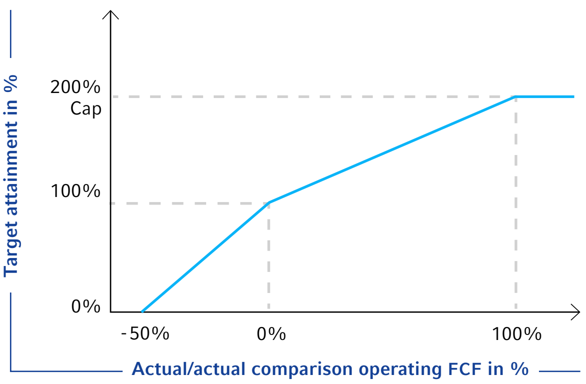
Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year, target attainment equals 100%. If EBIT increases by +100%, the maximum level corresponds to 200%. In the case of EBIT of -50% compared to the previous year, the target attainment level is 0%, which corresponds to a minimum value. The values within this range are interpolated. The EBIT target attainment curve is as follows:

EBIT target attainment curve

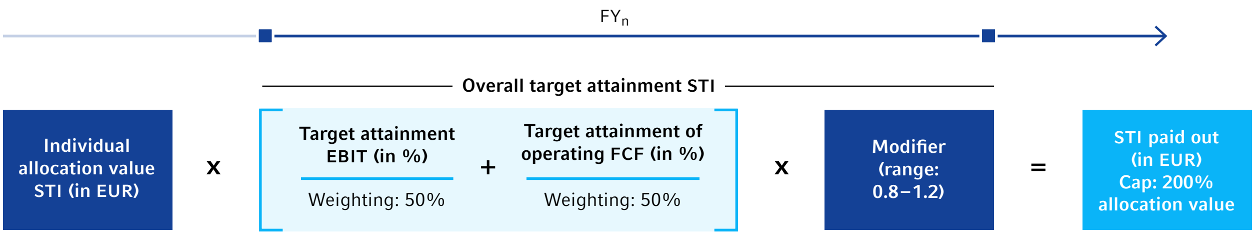


Target attainment for operating FCF is also determined on the basis of a year-on-year comparison of actual figures. The actual value of operating FCF in the respective financial year is compared with the actual value of operating FCF of the previous financial year. If operating FCF remains the same as in the previous year, target attainment equals 100%. If operating FCF is up by +100%, the maximum level corresponds to 200%. In the case of operating FCF of -50% compared to the previous year, target achievement is 0%, which corresponds to a minimum value. The values within this range are interpolated. The target achievement curve for operating FCF is shown below.

Operating FCF target attainment curve



Summary: Principles of the Short-Term Incentive (STI)



An additional modifier enables the Supervisory Board to assess not only the level of financial target attainment but also the individual and collective performance of the Management Board as well as the achievement of stakeholder objectives on the basis of specific criteria. The criteria for assessment are determined by the Supervisory Board at the beginning of each financial year, at the latest within the first three months. It is at the discretion of the Supervisory Board to determine the modifier, which can range from 0.8 to 1.2.

An individual allocation value is contractually agreed for each member of the Management Board. Overall target attainment is calculated from the sum of target attainment of EBIT and operating FCF multiplied by the modifier. The STI figure is calculated by multiplying the individual allocation value by overall target attainment. The maximum amount of the STI per Management Board member is two times the allocation value. The principles of the STI are illustrated in the diagram above.

Determining the targets for the 2023 financial year

For the 2023 financial year, the criteria for the modifier were set collectively for all Management Board members as innovation ratio, customer retention, and improvement in energy efficiency. The innovation ratio shows the hours spent on research and development for e-mobility in relation to the total hours spent on research and development. The customer loyalty modifier is based on the average order backlog of the last twelve months. Energy efficiency is calculated on the basis of CO_2 reduction. The indicator puts CO_2 emissions in relation to revenue. As EBIT in the 2022 financial year was negative due to exceptional items, the Supervisory Board set EUR 85,000 k as the target EBIT for 2023.

Target attainment STI 2023

EUR k	Target	2023	Target attainment	Weighting	Weighted target attainment
EBIT	85,000	82,905	95%	50%	48%
Operating free cash flow	14,810	36,736	200%	50%	100%
Total				**100%**	**148%**

	Target	2023	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation ratio	>70%	79%	1.20	1/3	0.40
Customer retention	EUR >1,600 million	EUR >1,360 million	0.96	1/3	0.32
Improvement in energy efficiency	>5%	10%	1.20	1/3	0.40
Modifier				**1.00**	**1.12**
Overall target attainment					**165%**

* Cf. glossary

STI EUR k	Maximum amount	Allocation value	Months	Pro rata allocation value	STI
Thomas Jessulat[1]	540	360	12	270	446
Reiner Drews	480	240	12	240	396
Dirk Willers[2]	100	200	3	50	83
Dr. Stefan Wolf[3]	480	480	6	240	396

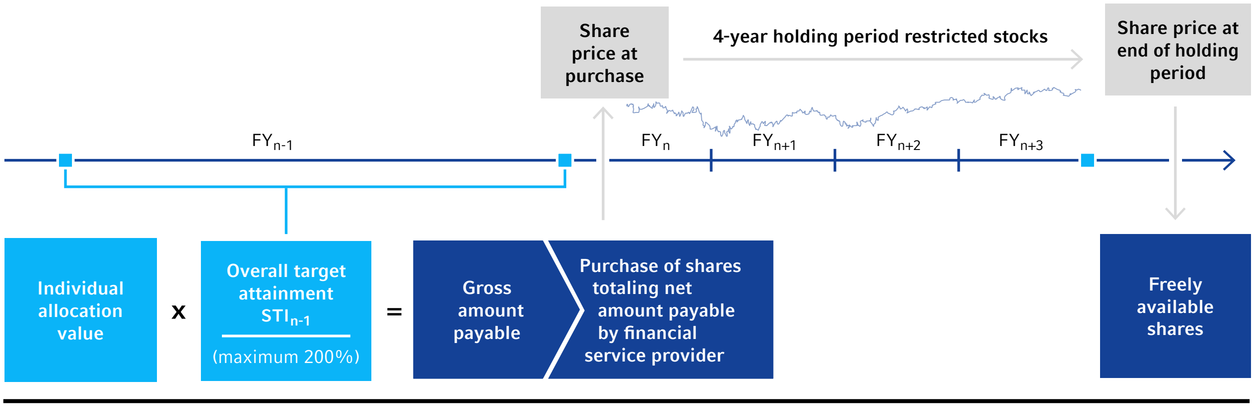
[1] For 2023, an allocation value of EUR 240k is applied until September 30, 2023, and an allocation value of EUR 360k from October 1, 2023.
[2] From October 1, 2023
[3] Until June 30, 2023

Long-Term Incentive (LTI)

Eligible Management Board members are entitled to an LTI granted on an annual basis. In accordance with the method applied to the STI, the allocation value is multiplied by the overall target attainment figure for the STI of the financial year preceding the respective financial year. The amount paid out for the respective financial year under review is determined on the basis of this calculation. The amount payable must be fully invested in company shares after deduction of applicable taxes and duties. These shares must be held for a period of four years.

The underlying principles are illustrated in the following diagram:

Summary: Principles of the Long-Term Incentive



The individual allocation value is granted in annual rolling tranches, each at the beginning of a financial year (allocation date). This form of compensation is granted immediately subsequent to the adoption of the consolidated financial statements and the determination of overall target attainment for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

The gross payment amount is calculated by multiplying the individual allocation value by the figure of overall target attainment determined for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

As regards the 2023 financial year, the overall target attainment was 0%. Accordingly, no LTI was granted and there was no obligation to purchase shares. Target achievement is shown in the following overview:

Target attainment LTI 2023

EUR k	Target	2022	Target attainment	Weighting	Weighted target attainment
EBIT	102,030	-42,231	0%	50%	0%
Operating free cash flow	71,971	14,810	0%	50%	0%
Total				**100%**	**0%**

	Target	2022	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation ratio	>50%	76%	1.20	1/3	0.40
Customer retention	EUR >1,200 million	EUR 1,488 million	1.20	1/3	0.40
Improvement in energy efficiency	>2.5%	10%	1.20	1/3	0.40
Modifier				**1.00**	**1.20**
Overall target attainment					**0%**

Maximum compensation

Maximum compensation payable to the members of the Management Board corresponds to the sum of maximum amounts that can possibly be paid from all compensation components for the respective financial year. The following table lists the maximum amount of compensation for each Management Board member, as approved by the Supervisory Board for the 2023 financial year:

Maximum compensation 2023

EUR k	Thomas Jessulat[2]	Reiner Drews	Dirk Willers[3]	Dr. Stefan Wolf[4]	Total
Non-performance-based compensation					
Fixed annual salary	451	401	75	318	1,245
Severance payments	0	0	0	4,424	4,424
Benefits for private pension provision	300	300	25	200	825
Total	**751**	**701**	**100**	**4,942**	**6,494**
Performance-based compensation					
Short-Term Incentive	540	480	100	480	1,600
Long-Term Incentive	810	720	150	720	2,400
Total	**1,350**	**1,200**	**250**	**1,200**	**4,000**
Maximum compensation[1]	**2,101**	**1,901**	**350**	**6,142**	**10,494**

[1] plus fringe benefits, e.g., for company vehicles
[2] Allocation values until September 30, 2023: STI EUR 240k and LTI EUR 360k; from October 1, 2023: STI EUR 360k and LTI EUR 540k
[3] Allocation values from October 1, 2023: STI EUR 200k and LTI EUR 300k
[4] Allocation values until June 30, 2023: STI EUR 480k and LTI EUR 720k

Malus/clawback

If, subsequent to the payment of variable compensation, it transpires that the consolidated financial statements were incorrect and that, after correction of the consolidated financial statements, a lower amount or no amount shall be payable in respect of variable compensation or that there has been a breach of a material contractual obligation or significant breaches of the duty of care within the meaning of Section 93 AktG, it shall be at the discretion of the Supervisory Board to reduce the amount of unpaid variable compensation granted for the financial year in which the violation occurred partially or completely to zero (malus) or to reclaim partially or completely (clawback) the gross amount of variable compensation already paid for the financial year in which the violation occurred. No clawback actions occurred in 2023 with regard to variable compensation components.

Share ownership guideline

The members of the Management Board are obliged to acquire shares in the company equivalent to a full gross annual fixed salary within a build-up period of four years and to hold them for the duration of their appointment as a member of the Management Board of ElringKlinger AG and for two years beyond this period. Fulfillment of this obligation shall be demonstrated to the Chairman of the Supervisory Board at the end of each financial year. The table provides details of the shares held by each member of the Management Board.

Overview shares

	Thomas Jessulat	Reiner Drews	Dirk Willers	Total
Tranche 2021				
Number of shares	7,914	7,914	0	15,828
Average purchase price (in EUR)	10.43	10.43	0	10.43
Average remaining term in years	1.97	1.97	0	1.97
Tranche 2022				
Number of shares	42,295	42,141	0	84,436
Average purchase price (in EUR)	8.97	8.97	0	8.97
Average remaining term in years	2.25	2.25	0	2.25

Benefits for private pension provision

The benefit allowance is a fixed amount that is paid out annually to the members of the Management Board. As a component of non-performance-based compensation, it is shown in the summary of Management Board compensation.

Management Board member	Fixed amount in EUR k
Thomas Jessulat	300
Reiner Drews	300
Dirk Willers[1]	25
Dr. Stefan Wolf[2]	200

[1] pro rata from October 1, 2023
[2] pro rata until June 30, 2023

Retirement pension

Under the retirement pension arrangements applicable prior to 2020, there are also commitments in respect of an annual retirement pension for the members of the Management Board. The retirement pension was contractually defined and amounts to between EUR 14k and EUR 30k.

If a member of the Management Board acts in a manner that is grossly negligent or displays gross negligence in his failure to act in specific instances and such actions or failures to act would result in significant damages to the Group, all entitlements to a retirement pension shall lapse; the same shall apply if the member of the Management Board enters the service of an entity that is in direct competition with the company.

The contracts include provisions governing surviving dependents' benefits. If a member of the Management Board dies during the period in which the employment contract is applicable or once the retirement benefits become due, his widow/widower or dependent children shall receive a widow's or orphan's pension. The widow's pension amounts to 50% of the retirement pension of the deceased. The orphan's pension amounts to 20% of the widow's pension to the extent that a widow's pension is payable simultaneously and 40% of the widow's pension to the extent that no widow's pension is payable.

The widow's or orphan's pensions shall not exceed 60% of the amount to which the deceased would have been entitled if he had entered into retirement on the day of his death.

Review and adjustment of compensation

The salary components are to be reviewed by the company's Supervisory Board every two years. The next review is scheduled for October 1, 2025. The Supervisory Board has the authority to grant the Management Board member special compensation. A decision on this is at the free discretion of the Supervisory Board in compliance with legal requirements.

Management Board compensation 2023

The following itemized overview presents the amount of compensation granted and owed to each member of the Management Board in the 2023 financial year. In accordance with the provisions set out in Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG), the amount of compensation granted and owed must be stated as the amounts that became due in the reporting period and have already been paid to the individual Management Board member or whose due payment has not yet been concluded.

Compensation granted and owed

	Thomas Jessulat				Reiner Drews			
EUR k	2023	in %	2022	in %	2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	451	37	401	28	401	36	401	28
Fringe benefits	25	2	29	2	6	1	6	0
Severance payments	0	0	0	0	0	0	0	0
Benefits for private pension provision	300	25	300	21	300	27	300	21
Total	**776**	**64**	**730**	**51**	**707**	**64**	**707**	**49**
Performance-based compensation								
Short-Term Incentive	446	36	0	0	396	36	0	0
Long-Term Incentive	0	0	720	49	0	0	720	51
Total	**446**	**36**	**720**	**49**	**396**	**36**	**720**	**51**
Compensation granted and owed	**1,222**	**100**	**1,450**	**100**	**1,103**	**100**	**1,427**	**100**
Service cost	0	0	0	0	0	0	0	0
Total compensation	**1,222**	**100**	**1,450**	**100**	**1,103**	**100**	**1,427**	**100**

Compensation granted and owed

	Dirk Willers[1]				Dr. Stefan Wolf[2]			
EUR k	2023	in %	2022	in %	2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	75	40	0	–	318	6	636	25
Fringe benefits	4	2	0	–	19	0	36	1
Severance payments	0	0	0	–	4,424	83	0	0
Benefits for private pension provision	25	13	0	–	200	4	400	16
Total	**104**	**55**	**0**	**–**	**4,961**	**93**	**1,072**	**42**
Performance-based compensation								
Short-Term Incentive	83	45	0	–	396	7	0	0
Long-Term Incentive	0	0	0	–	0	0	1,440	58
Total	**83**	**45**	**0**	**–**	**396**	**7**	**1,440**	**58**
Compensation granted and owed	**187**	**100**	**0**	**–**	**5,357**	**100**	**2,512**	**100**
Service cost	0	0	0	–	0	0	0	0
Total compensation	**187**	**100**	**0**	**–**	**5,357**	**100**	**2,512**	**100**

[1] from October 1, 2023
[2] until June 30, 2023

Table continues on next page

Compensation granted and owed

EUR k	Theo Becker[3] 2023	in %	2022	in %	Total 2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	0	–	108	6	1,245	16	1,546	21
Fringe benefits	0	–	2	0	54	1	73	1
Severance payments	0	–	834	45	4,424	56	834	12
Benefits for private pension provision	0	–	0	0	825	10	1,000	14
Total	**0**	**–**	**944**	**51**	**6,548**	**83**	**3,453**	**48**
Performance-based compensation								
Short-Term Incentive	0	–	0	0	1,321	17	0	0
Long-Term Incentive	0	–	720	39	0	0	3,600	49
Total	**0**	**–**	**720**	**39**	**1,321**	**17**	**3,600**	**49**
Compensation granted and owed	**0**	**–**	**1,664**	**90**	**7,869**	**100**	**7,053**	**97**
Service cost	0	–	185	10	0	0	185	3
Total compensation	**0**	**–**	**1,849**	**100**	**7,869**	**100**	**7,238**	**100**

[3] until March 31, 2022

Pension obligations

The current service cost and the present value (DBO) of the pension provisions are presented below. The present value (DBO) of the pension provisions for Dr. Stefan Wolf and Theo Becker is reported under pension obligations for former members of the Management Board as of December 31, 2023.

EUR k	Thomas Jessulat 2023	2022	Reiner Drews 2023	2022	Dirk Willers 2023	2022
Current service cost	0	0	0	0	0	0
Present value (DBO)	449	392	205	178	0	0

EUR k	Dr. Stefan Wolf[1] 2023	2022	Theo Becker[2] 2023	2022	Total 2023	2022
Current service cost	0	0	0	185	0	185
Present value (DBO)	0	2,535	0	0	654	3,105

[1] until June 30, 2023
[2] until March 31, 2022

Share ownership guideline for former members of the Management Board

Former members of the Management Board are obliged to hold shares in the company until the agreed expiry of the shareholding obligation. As of December 31, 2023, 146,810 shares were held. The average remaining term was 1.1 years.

Pensions for former members of the Management Board, the management of merged entities, and their surviving dependents

A provision of EUR 22,171 k (2022: EUR 20,059 k) was made for pension obligations. Total compensation amounted to EUR 1,370 k in the 2023 financial year (2022: EUR 1,011 k).

Compensation structure for members of the Supervisory Board

Supervisory Board compensation is governed by the provisions set out in Section 13 of the Articles of Association of ElringKlinger AG. The level of compensation is determined by the Annual General Meeting. The members of the Supervisory Board shall receive remuneration that is commensurate with their duties and the circumstances of the company. The compensation system was last adjusted on July 7, 2020. The members of the Supervisory Board receive fixed compensation of EUR 50 k (2022: EUR 50 k) for each full financial year they have served on the Supervisory Board. Membership of a committee is remunerated at EUR 6 k (2022: EUR 6 k) and membership of the Audit Committee is remunerated at EUR 10 k (2022: EUR 10 k). Additionally, the members of the Supervisory Board receive a lump-sum payment of EUR 1 k (2022: EUR 1 k) for each Supervisory Board meeting they attend. The chairperson of a committee receives double the respective amounts. Compensation in respect of membership of the Mediation Committee shall only be payable in those cases in which the Committee has to be convened. No compensation is granted for the Nomination Committee.

The role of the Supervisory Board Chairman and the role of his Deputy are taken into consideration when determining the level of compensation. The Chairman of the Supervisory Board receives three times (2022: three times) and the Deputy Chairman two times (2022: two times) the compensation paid to other Supervisory Board members. Expenses incurred by the Supervisory Board members are reimbursed to an appropriate extent. Supervisory Board members who have not held the post for a full financial year receive a pro rata amount of fixed compensation. Fixed compensation is due at the end of the financial year.

Amount of Supervisory Board compensation in 2023

In the year under review, compensation granted and owed to the Supervisory Board of ElringKlinger AG amounted to EUR 894 k (2022: EUR 868 k). Additionally, travel expenses totaling EUR 4 k (2022: EUR 1 k) were reimbursed. Compensation payable to the individual members of the Supervisory Board was as follows:

	2023					2022				
	Fixed compensation		Compensation for committee work		Total	Fixed compensation		Compensation for committee work		Total
	EUR k	in %	EUR k	in %	EUR k	EUR k	in %	EUR k	in %	EUR k
Klaus Eberhardt	162	88	22	12	184	158	88	22	12	180
Markus Siegers	109	95	6	5	115	106	95	6	5	112
Rita Forst	0	0	0	0	0	20	100	0	0	20
Ingeborg Guggolz	56	100	0	0	56	34	100	0	0	34
Andreas Wilhelm Kraut	56	100	0	0	56	54	100	0	0	54
Helmut P. Merch	56	74	20	26	76	54	73	20	27	74
Gerald Müller	56	100	0	0	56	54	100	0	0	54
Paula Monteiro Munz	56	100	0	0	56	54	100	0	0	54
Barbara Resch	55	100	0	0	55	54	100	0	0	54
Gabriele Sons	56	90	6	10	62	54	90	6	10	60
Manfred Strauß	56	85	10	15	66	54	84	10	16	64
Bernd Weckenmann	56	100	0	0	56	54	100	0	0	54
Olcay Zeybek	56	100	0	0	56	54	100	0	0	54
Total	**830**	**93**	**64**	**7**	**894**	**804**	**93**	**64**	**7**	**868**

Information on the relative change in Management Board and Supervisory Board compensation

The following overview lists the change in compensation granted and owed to the individual members of the Management Board and the Supervisory Board in relation to the financial performance indicators of the Group. In addition, compensation of the Management Board is shown in relation to the total workforce as well as to employees covered by collective agreements in Germany.

Compensation of the Management Board and Supervisory Board in relation to the company's earnings performance

EUR k	2019	2020	Change in %	2021	Change in %	2022	Change in %	2023	Change in %
Management Board									
Thomas Jessulat	758	910	20	1,386	52	1,450	5	1,222	-16
Reiner Drews	692	845	22	1,346	59	1,427	6	1,103	-23
Dirk Willers	0	0	–	0	–	0	–	187	–
Former members of the Management Board									
Dr. Stefan Wolf	1,379	1,485	8	2,348	58	2,512	7	5,357	113
Theo Becker	1,074	807	-25	1,077	34	1,664	55	0	–
Supervisory Board									
Klaus Eberhardt	100	183	83	180	-2	180	0	184	2
Markus Siegers	69	114	65	112	-2	112	0	115	3
Nadine Boguslawski	40	28	-30	0	–	0	–	0	–
Armin Diez	44	65	48	8	–	0	–	0	–
Pasquale Formisano	39	28	-28	0	–	0	–	0	–
Rita Forst	40	55	38	54	-2	20	-63	0	–
Ingeborg Guggolz	0	0	–	0	–	34	–	56	65
Andreas Wilhelm Kraut	38	55	45	54	-2	54	0	56	4
Helmut P. Merch	0	37	–	74	–	74	0	76	3
Gerald Müller	40	55	38	54	-2	54	0	56	4
Paula Monteiro-Munz	44	55	25	54	-2	54	0	56	4
Barbara Resch	0	27	–	53	96	54	2	55	2
Prof. Hans-Ulrich Sachs	40	28	-30	1	–	0	–	0	–
Gabriele Sons	48	61	27	60	-2	60	0	62	3
Manfred Strauß	47	71	51	64	-10	64	0	66	3
Bernd Weckenmann	0	0	–	37	–	54	46	56	4
Olcay Zeybek	0	27	–	54	–	54	0	56	4
Key earnings indicators ElringKlinger AG									
Net income or loss for the year	-17,112	-11,566	–	70,087	–	-45,505	–	10,600	–
Key earnings indicators Group									
EBIT	61,233	27,736	-55	102,030	268	-42,231	-141	82,905	–
ROCE	3.4%	1.7%	-50	6.4%	277	-2.7%	-142	5.6%	–
Operating free cash flow	175,821	164,695	-6	71,971	-56	14,810	-79	36,736	148
Equity ratio	41.5%	41.4%	0	47.0%	14	43.8%	-7	45.3%	3
Net debt/EBITDA	3.3	2.5	-24	1.7	-32	2.1	24	1.6	-24
Workforce									
Total workforce in Germany[1]	58	55	-5	58	6	62	7	66	7
Employees covered by collective agreements in Germany[1]	55	52	-6	55	6	55	0	59	7

[1] Without Management Board

Dettingen/Erms, March 26, 2024

On behalf of the Management Board

Thomas Jessulat,
CEO

On behalf of the Supervisory Board

Klaus Eberhardt,
Chairman of the Supervisory Board

Report of the independent auditor on the audit of the compensation report in accordance with section 162 (3) AktG

To ElringKlinger AG, Dettingen an der Erms/Germany

Audit Opinion

We conducted a formal audit of the compensation report of ElringKlinger AG, Dettingen an der Erms/Germany, for the financial year from January 1, 2023 to December 31, 2023, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the compensation report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying compensation report. Our audit opinion does not cover the content of the compensation report.

Basis for the Audit Opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (09.2023)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. Our audit firm has applied the requirements of the IDW Quality Management Standards. We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the compensation report, and to express an opinion on this in a report on the audit.

We planned and conducted our audit in such a way to be able to determine whether the compensation report is formally complete by comparing the disclosures made in the compensation report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have neither audited the correctness of the content of the disclosures, nor the completeness of the content of the individual disclosures, nor the adequate presentation of the compensation report.

Stuttgart/Germany, March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Michael Sturm	Florian Sauter
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance

The Management Board and the Supervisory Board of ElringKlinger AG annually publish a combined Statement of Corporate Governance in accordance with principle 22 of the German Corporate Governance Code in its version from the April 28, 2022, which also includes the Declaration of Conformity adopted on the December 7, 2023. The Declaration is available online on the corporate website https://elringklinger.de/en/company/corporate-governance/corporate-governance-statement

Sustainability Report

ElringKlinger's annual sustainability report includes detailed information and key figures relating to employees, social issues, the environment, and quality. It is scheduled for publication on the Group's website at www.elringklinger.de/en (Sustainability section) in mid-2024.

Combined Non-Financial Report 2023

of ElringKlinger AG

This non-financial Group report has been combined with the non-financial report of the exchange-listed parent company ElringKlinger AG and relates to the 2023 financial year. Unless otherwise specified, the information presented refers to the ElringKlinger Group in its entirety.

The combined non-financial report has been prepared in accordance with the legal provisions set out in Section 289b et seqq. and Section 315b et seqq. of the German Commercial Code (Handelsgesetzbuch – HGB*) and, in the context of focused reporting, does as yet not currently follow a specific framework. As of January 1, 2024, the Group undertakes to follow the provisions set out in the new Corporate Sustainability Reporting Directive (CSRD). This report also contains information on the implementation of the EU Taxonomy* Regulation (Regulation (EU) 2020/852). Deloitte GmbH Wirtschaftsprüfungsgesellschaft was commissioned to review the combined non-financial report of ElringKlinger AG for the period from January 1, 2023, to December 31, 2023, in the context of a limited assurance engagement.

As in previous years, the Group plans to publish a comprehensive sustainability report later in 2024.

Business model of the ElringKlinger Group

As an independent development partner and large-scale manufacturer serving the automotive industry at an international level, the ElringKlinger Group is actively contributing to the transition within the mobility sector towards a sustainable future based on innovative products. The Group's core competence lies in R&D and industrial-scale manufacturing centered around large-volume series production contracts for passenger cars and commercial vehicles. This is reflected in the current product portfolio. In addition to innovative battery components and systems, fuel cell stacks* and components, and electric drive units, the product range also includes innovative lightweighting concepts, sealing technology and metal shielding systems with thermal, acoustic, and/or aerodynamic properties. Beyond the automotive industry, the portfolio includes cross-industry products made of high-performance plastics as well as various machinable thermoplastic materials. Marketed under the "Elring – das Original" brand, ElringKlinger also supplies an extensive range of spare parts.

Employing around 9,600 people on average, ElringKlinger operates at 45 international sites in all vehicle markets around the globe. As of December 31, 2023, ElringKlinger had 39 production facilities, four sales offices, one logistics center, and one company operating solely within the area of aftermarket sales. ElringKlinger maintains direct lines of contact with the majority of the world's major vehicle and engine manufacturers. In order to actively exploit the benefits of global interaction, ElringKlinger purchases raw materials in a number of different countries and has established an extensive network of suppliers for this very purpose.

The Group has categorized its operating business into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The Original Equipment segment, in turn, comprises several business units. In organizational terms, the Aftermarket and Engineered Plastics segments correspond to business units.

ElringKlinger's Strategy 2030 encompasses five factors for success, one of which is sustainability. Thus, acting in a sustainable manner is an integral part of its long-term corporate strategy aimed at increasing enterprise value. The objective is to combine long-term economic success and growth in all areas of business with the preservation of social and ecological interests. Values, actions, and goals derived from aspects of sustainability are therefore reflected in the Group's guidelines.

Determining materiality

In 2022, ElringKlinger conducted an extensive update of its materiality analysis, which was validated by internal stakeholders in 2023, for the purpose of determining material topics and compliance with statutory obligations in respect of environmental, social, and employee-related issues, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) HGB). Among others, staff members from the Human Resources, Quality, Health & Safety, Supplier Quality, and Compliance as well as Corporate Communications and Sustainability functions were represented. The main focus was, above all, on those issues that are significantly influenced by the business model and the value chain. Six material topics were identified as part of this assessment; they cover the five statutory matters specified in Section 315c in conjunction with Sections 289c to 289e HGB.

As in the previous year, the following six topics were derived from this analysis:

- Combating corruption and bribery
- Responsibility in the supply chain
- Environmentally-friendly mobility
- Environmental protection in production
- Occupational health and safety
- Targeted recruitment and development of employees

As regards the topics covered by the non-financial report, there is a particularly high relevance in relation to the business operations of the ElringKlinger Group. These business operations, in turn, have an especially strong impact on the reportable matters. The exception is the aspect of social matters, where no major topics were identified.

The materiality analysis conducted in 2022 also confirmed that emissions in the upstream and downstream value chain (Scope 3) as well as the issue of waste management are of increasing importance to the Group. With this in mind, the Group is continuing to develop both areas and will disclose information relating thereto in future reports in compliance with the ESRS standards.

* Cf. glossary

Risk assessment

As regards the area of action relating to the business activities, as presented in the combined non-financial report of ElringKlinger AG, no material risks were identified that are associated with its own business activities and for which, pursuant to Section 289c(3) no. 3 and 4 HGB, the business activities are very likely to have or will in future have a severe negative impact on the reportable aspects. The risk assessment applies both to the Group's business activities and its business relations as well as the products and services of the ElringKlinger Group. Furthermore, there are no non-financial performance indicators that have been classified as being "key" indicators (Section 289b(3) no. 5, Section 315(3) HGB). The non-financial report therefore contains significant indicators for each material matter that illustrate progress made within the areas of action.

Risk management is seen as an all-embracing function within the company. As such, new risks that may potentially arise are incorporated into the existing risk management system. Relevant risk assessments have been performed by teams of experts for all material topics presented in this non-financial report; they are continuously updated and reviewed.

Combating corruption and bribery

At ElringKlinger, corporate responsibility is considered an essential prerequisite when it comes to embracing and pursuing all business activities. In addition to complying with existing laws and regulations, the Group has drawn up policies, i.e., guidelines, that apply to all employees worldwide.

Compliance and integrity are of fundamental importance to corporate endeavors within the ElringKlinger Group. Thus, the Group is committed to maintaining high standards, particularly with regard to combating corruption and bribery, and uses a compliance management system (CMS) to uphold its values and standards and to prevent and detect violations of the law at an early stage. The CMS is based on the three fundamental principles of prevention, detection, and investigation of compliance violations and, in addition to binding compliance rules, also includes requisite measures to comply with laws and directives and to act and behave responsibly. It is designed to avoid violations of statutory provisions, such as incidents of corruption and bribery or non-compliance with antitrust law, which, in addition to reputational and financial risks, would also have personal consequences under criminal and labor law. The structure of ElringKlinger's CMS is based on the seven fundamental elements of IDW Auditing Standard 980: compliance culture, compliance objectives, compliance organization, compliance risks, compliance program, compliance communication, and compliance monitoring and improvement. The appropriateness and implementation of the CMS in respect of the sub-areas of anti-corruption and antitrust law were confirmed in the reporting year by an independent auditing company in accordance with the IDW PS 980 standard outlining the proper performance of reasonable assurance engagements relating to compliance management systems as of November 30, 2023.

The "Vision and Mission" statement establishes an authoritative foundation for the Group's global business activities. It expresses the fundamental values and objectives of the Group. This is supplemented by the code of conduct expanded in 2023, which in turn is substantiated by further policies in specific subject areas. The code of conduct covers topics such as corruption, conflicts of interest, gifts, and benefits/grants. ElringKlinger expects all employees to assume responsibility when it comes to actively protecting and upholding the company's values, and to neither endorse nor tolerate corrupt conduct relating to gratuities from or to business partners. The ElringKlinger Group also expects its business partners to adhere to these values and principles of conduct. With this in mind, the company also published a code of conduct for suppliers in 2023, which is to provide the foundation for trust-based collaboration in the future.

Management of the compliance organization falls within the remit of the Chief Compliance Officer (CCO). He is responsible for implementing, structuring, and further refining the CMS. The CCO reports all events that occur directly to the CEO, who is responsible for ensuring compliance with legal requirements and internal policies. In addition to reports submitted to the Management Board, issues relating to compliance are regularly addressed at Supervisory Board meetings. Furthermore, ElringKlinger has regional or local compliance officers in the high-revenue regions of Europe, Asia, and South America, who report directly to the CCO. In North and Central America, the compliance organization is complemented by external compliance experts at law firms. The compliance organization follows up directly on indications of potential compliance-related violations in order to clarify critical issues as quickly as possible and initiate appropriate measures. Such notifications can be submitted via the "Share with us" whistleblower system as well as by telephone, e-mail, or in a personal conversation.

ElringKlinger uses the Global Case Management tool for the purpose of case management. It structures the procedure for dealing with compliance-related allegations and supports the regional compliance officers in dealing with notifications. In the 2023 financial year, six regular meetings were convened, as part of which the regional compliance officers exchanged information with the CCO on material developments in their area.

Given the importance of compliance issues to the entire Group, all employees receive the relevant guidelines and policies as part of the on-boarding process when they join the company. On the basis of a standardized training program, the ElringKlinger Group provides its employees and managers with the necessary insights into compliance and raises their awareness of compliance risks in day-to-day business. All employees with a personal Office account are required to complete the Group's standardized online training relating to compliance matters once every two years. In the 2023 reporting year, this training was completed by 3,294 employees, which corresponds to 78% of the relevant target group. The company provided more in-depth information surrounding the topics of competition law, corruption, dealing with gratuities, and conflicts of interest as part of a separate training course for selected employees from the particularly sensitive areas of Sales, Purchasing, and Project Management.

Fundamentally, risks relating to infringements within the area of corruption and bribery exist throughout the entire ElringKlinger Group. However, in view of its firmly established corporate culture and expanded CMS, ElringKlinger considers the risk of significant compliance infringements to be low. ElringKlinger was not aware of any case in 2023 in which material breaches in connection with corruption and bribery occurred within the parent company or the subsidiaries.

Responsibility in the supply chain

As a global Group with a strong basis of values, ElringKlinger seeks to collaborate only with suppliers that accept their responsibilities and comply with applicable labor, social, and environmental standards. The Group reviews the requirements and standards on a regular basis in the form of supplier audits.

Reflecting the transformation process in the automotive industry, the product portfolio within the ElringKlinger Group is also undergoing change. As a consequence, many new suppliers are needed to cover the new product areas. The greater complexity of the products is also increasing the amount of auditing work required by Supplier Quality Management at ElringKlinger. The department is involved in selecting direct suppliers[1], and takes responsibility for the qualification thereof.

ElringKlinger communicates its sustainability requirements to suppliers through a supplier handbook and the code of conduct published in 2023. When transacting business with the ElringKlinger Group, the company requires its suppliers to comply with these provisions. The aforementioned documents contain specific directives and rules of conduct governing responsible procurement. As of December 31, 2023, the code of conduct for suppliers published in the third quarter of 2023 had been signed by 14.5% of all direct suppliers. Among other things, the new code of conduct deals with environmental topics, social standards, lawful conduct, and business ethics. It is based on the principles of the International Labour Organization (ILO) as well as the United Nations (UN) Global Compact, the Universal Declaration of Human Rights of the UN, the UN Guiding Principles on Business and Human Rights, and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD). In 2023, the values of the Group were also enshrined in a policy statement on the upholding of human rights, which applies to all of the company's sites and all business contacts within the supply chain.

With regard to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which came into force on January 1, 2023, ElringKlinger assessed the impact of the law through a cross-functional working group and adopted appropriate measures aimed at implementing the legal requirements. Among other things, the Group developed a risk management process with a view to identifying risks in connection with human rights and environmental obligations, both in respect of the company's own business activity and the supply chain. The Group plans to publish the initial results within the legally prescribed deadline of 2024.

ElringKlinger also prioritizes environmentally sound operational management as well as structured conduct and processes in the implementation of its corporate environmental policy. To this end, the Group requires its direct suppliers in the automotive field to have a quality management system in accordance with ISO* 9001 and IATF* 16949 and an environmental management system according to ISO 14001. As of December 31, 2023, 98.8% of all direct suppliers in the automotive area (2022: 98.7%) had been certified under the ISO 9001 quality management system. At the same time, 53.0% (2022: 57.2%) of direct suppliers in the automotive field were certified according to environmental standard ISO 14001. In 2023, 75.5% (2022: 72.4%) of direct automotive suppliers were certified under the IATF 16949 quality management standard for the automotive industry. Dealers, raw material suppliers, and suppliers designated by customers were not taken into account in calculating the proportion of IATF-16949-certified suppliers. The Group has specified a target quota of 78% for 2024.

Every year, Supplier Quality Management conducts supplier audits in line with the VDA 6.3 standard in order to monitor compliance with required standards and duties of care in the supply chain, including the observance of sustainability issues. Where deviations are identified, improvement measures are defined and adopted within a timeframe specified on a case-by-case basis according to the work required. Implementation of these measures is subsequently verified.

[1] Suppliers providing production materials or carrying out external work linked to the manufacture of ElringKlinger products.

Significant deviations can result in the supplier relationship being terminated immediately. In 2023, ElringKlinger increased the number of supplier audits it performed to 202 (2022: 159). This was partly because many new fuel cell and battery technology suppliers were audited, and partly because of the need to catch up on audits that could not be performed in previous years due to travel restrictions.

In order to select and qualify new suppliers, Supplier Quality Management applies a catalog of criteria spanning such conventional aspects as the quality, reliability, and liquidity of suppliers as well as sustainability criteria such as compliance with labor, social, and environmental standards. In addition, management reports detailing the current situation and developments in the field of Supplier Quality Management are submitted to the Management Board on a monthly basis.

ElringKlinger uses the International Material Data System (IMDS) in particular for the declaration of contents/constituent materials. In addition, information collected from all automotive suppliers on the material and chemical composition of semi-finished products and components is passed on to ElringKlinger and customers. The advantage of the system is that all key automotive suppliers and suppliers throughout the supply chain can store their data in a single system so as to create transparency over the exact contents and enable components to be disposed of in an environmentally responsible manner at the end of their life cycle. The database is also used as a platform for quickly checking the countries of origin of conflict minerals. Among other things, the US legislation on conflict minerals (Dodd-Frank Act) requires companies to disclose the origin of certain raw materials. This is intended to rule out the possibility of conflict minerals such as tantalum, gold, tungsten, and tin from the Republic of Congo or neighboring countries from being incorporated into products via supply chains. Although ElringKlinger does use small quantities of several of the aforementioned materials, it does not source these from the countries stated. An analysis of raw materials procured by the ElringKlinger Group in 2023 based on supplier information provided no evidence that conflict minerals were being sourced from the regions listed above.

Environmentally-friendly mobility

Mobility is an essential part of our daily lives and crucial to economic and social development, and the need for it looks set to increase further. It is therefore all the more important – particularly given the use made of fossil fuels to date – for mobility to become greener and for emissions in the transport sector to be reduced. This is one of the reasons why ElringKlinger is directing its innovative capabilities toward developing smart solutions that are helping to transform mobility and is targeting a significant increase in the percentage of its revenue generated from the new technologies.

ElringKlinger started developing environmentally friendly drive technologies more than two decades ago, first in fuel cell technology and later in battery technology too, thus building up component and system expertise in these product segments at an early stage. At the same time, all the Group's other business units were likewise developing a steady stream of new products needed by zero-emission vehicles. The Group was quick to focus on driving forward green technologies, in other words, and this focus is reflected not least in the company's purpose: "Pioneering innovative technologies for a sustainable future." In so doing, the Group is underlining its mission to enable sustainable mobility through innovative and pioneering developments and inventions. It is also steadily stepping up its sales activities in order to achieve sustained growth in revenue from e-mobility products as a percentage of its overall mix. This is one of

* Cf. glossary

the areas being focused on by Chief Sales Officer Dirk Willers, who was appointed by the ElringKlinger Supervisory Board.

The path toward e-mobility is already marked out in the transport sector, as demonstrated by the constant increase in the number of electric vehicles on the roads. Although battery-electric vehicles predominate at present in absolute terms, ElringKlinger remains confident that fuel cell technology represents a major alternative, especially for buses and commercial vehicles. This is because the fuel cell drive has a clear benefit that it can bring to bear wherever drive systems need a large amount of energy and the downtime required for constant charging generates costs. Specifically, the fuel cell produces electrical energy on board, significantly extending the range of fuel-cell-powered vehicles compared to their all-electric counterparts. This is why ElringKlinger is continuing to pursue its strategy and is backing both emerging technologies – battery technology as well as fuel cell technology (the latter via its joint venture EKPO).

In battery technology, ElringKlinger is an engineering partner and supplier of individual components for manufacturing high-volume series and making modules and systems for niche markets. Its extensive product portfolio encompasses battery systems, battery modules, and components for batteries such as cell contacting systems*, module connectors, and cell covers. The Group moved its battery activities to its site in the German town of Neuffen in 2022 in order to ramp up its existing orders for e-mobility applications for mass production. The following year, the site began to make cell contacting systems for a global battery manufacturer that had nominated ElringKlinger as its series supplier. The contract covers a total volume in the mid-triple-digit million euro range and will run for around nine years. 2023 also saw the Group win a large-scale, high-volume order for the series production and supply of latest-generation cell contacting systems for the BMW Group's "NEUE KLASSE". Production for this order will be ramped up from 2025 onward, with the necessary groundwork being laid at the moment.

ElringKlinger's fuel cell technology activities are based at its subsidiary EKPO Fuel Cell Technologies (EKPO). Together with the French automotive supplier Plastic Omnium, ElringKlinger set up this subsidiary in 2021 to accelerate the development of hydrogen-based mobility using a low-temperature fuel cell known as a proton exchange membrane, or PEM. EKPO offers complete stack modules in various performance classes as well as corresponding components such as metallic bipolar plates* and plastic media modules. The joint venture won several more orders in the year under review, including projects for one European and one global carmaker and another to supply fuel cell stacks* for a cruise ship. EKPO also took its first steps into the burgeoning electrolysis market in 2023, receiving an order to develop stack components for use in PEM electrolyzers made by H-TEC-SYSTEMS GmbH. Toward the end of the financial year just ended, the company secured up to EUR 177 million in funding until 2027 as part of the EU's "IPCEI* on Hydrogen" program ("IPCEI" standing for "Important Project of Common European Interest"). The funding will come from the German Federal Ministry for Digital and Transport and the Ministry of the Environment, Climate Protection, and Energy Sector of the state of Baden-Württemberg and is to be used to develop powerful PEM fuel cell* stack modules for heavy-duty applications and get them ready for industrial-scale manufacture. In the medium term, EKPO is aiming to play a leading role in the fuel cell market for both mobile and stationary applications.

As part of a strategic partnership with hofer powertrain, ElringKlinger develops electric drive units and takes the necessary steps for industrial-scale production. The Group has held a stake in the Nürtingen-based system developer and supplier hofer AG since 2017. Through its two subsidiaries hofer powertrain products GmbH in Dettingen, Germany, and hofer powertrain products UK Ltd. in Solihull, UK, the Group provides control software, thermal management, and safety concepts for high-end sports and luxury cars as well as electric motors, transmission systems, and power electronics.

At the same time, the Group's business units that have their roots in traditional mobility are also developing and scaling up solutions for zero-emission mobility in line with their core areas of expertise: coating, punching, embossing, forming, and plastic injection molding. One good example of this is the disk carrier that was developed in the Metal Sealing Systems & Drivetrain Components business unit and is currently in series production for an all-electric model designed by a European sports car manufacturer. Also worthy of mention are the orders won by the Metal Forming & Assembly Technology business unit in 2023 for battery housings and battery housing modules, which showcase its transferred expertise in punching and forming technology.

Lightweighting also contributes to environmentally friendly mobility in that products that save on weight compared to conventional solutions make a vehicle lighter and can thus help lower its fuel consumption or increase its range. Minimizing CO_2 emissions and cutting particulate pollution by reducing tire wear are the main aims in this regard. ElringKlinger has been mass-producing lightweighting components for more than two decades. Its many years of experience with materials, processes, and manufacture are particularly reflected in its broad product portfolio, which includes drivetrain and body products. Besides reducing weight, its new developments are also focusing on functional integration and optimization, performance, and the robustness of parts.

In the long term, ElringKlinger intends to achieve this transformation by significantly increasing the percentage of Group revenue generated by the new technologies, which made up a virtually unchanged 10.8% of Group revenue in 2023 (2022: 10.9%).This figure differs from that reported for the environmental KPI stated in the "EU Taxonomy" section in terms of both its amount and what it covers. Essentially, it comprises the revenue generated in the Lightweighting business unit, which helps to reduce emissions in vehicles powered by combustion engines but does not fall within the scope of the definition according to the EU Taxonomy.

Environmental protection in production

ElringKlinger products have an impact on the environment at every stage of their life cycle. As a result, the Group has a high degree of ecological responsibility, which it strives to fulfill within the context of its environmental and quality policy. For this reason, the Group aims to dedicate around 1% of its total capital expenditure[2] each year to measures that help reduce emissions.

Under the Paris Agreement, i. e., Paris Climate Accords, the European Union committed itself to specific climate and energy policy targets. While these targets were met in the short term, they can only be achieved in the medium and long term if efforts within this area are intensified. As part of the EU Climate Law, the European Union has tightened its long-term target. Instead of pursuing a reduction target of 80–95%, it is aiming for climate neutrality by 2050.[3] One of the key measures to be applied in an effort to achieve this goal is the expansion of renewable forms of energy. In this context, at least 42.5% of the European Union's total energy consumption is to come from renewable sources by 2030.[4] This is considered an important step that will facilitate the purchase of green electricity, for example, by industrial companies in years to come. As part of its 2021 climate strategy, ElringKlinger has also introduced energy from sustainable sources for operations at many of its sites and aims to source exclusively green electricity for all sites in Europe by 2025 and at a global level by 2030.

Acknowledging its all-embracing responsibility toward the environment, ElringKlinger has drawn up a quality and environmental policy that applies to all employees and suppliers. Overall responsibility for environmental protection and other sustainability-related matters rests with ElringKlinger's Management Board. The environmental officer of ElringKlinger AG and its plants is always involved in investment decisions of environmental relevance. The corporate and business units are responsible for mapping out environmental topics, and the environmental officers appointed at the individual production sites are responsible for implementation.

[2] The capital expenditure made in order to achieve the target (particularly additional capital expenditure on energy-saving measures) relates to the emission-reducing elements of investment in property and buildings, in technical equipment and machinery, and in other equipment (operating and office equipment).
[3] European energy and climate targets | German Environment Agency
[4] Renewable energy targets – European Commission (europa.eu)

The ElringKlinger Group included 28 companies and their sites in its environmental reporting in 2023. As well as 37 production sites, ElringKlinger Logistic Service GmbH, Ergenzingen, Germany, was also included. The site in Texas, USA, was included in environmental reporting for the first time in the year under review. The excluded production sites in Timisoara, Romania, Warwick, United Kingdom, and Chongqing, China, are not reported due to their small size and minor relevance to the environmental indicators. In 2023, therefore, ElringKlinger's environmental reporting covered 95% of the Group's production sites, representing 98% of Group revenue and 97% of the Group's workforce.

In 2023, ElringKlinger continued to implement its strategy for becoming carbon-neutral in net terms by 2030 in respect of its Scope 1 and Scope 2 emissions. ElringKlinger's management is focusing on a total of four different areas of action in order to achieve this goal. These are: (1) increasing energy efficiency with regard to all buildings and facilities, (2) expanding renewable energies, (3) switching to green electricity, and (4) offsetting CO_2 emissions that are considered completely unavoidable by investing in external projects aimed at reducing CO_2 emissions. In 2023, the contracts for the supply of electricity to Group companies in Hungary, in Italy, and to a large extent in Turkey were converted to green electricity. In total, 15,450 metric tons of CO_2 generated from gas, the fleet, and air travel were offset by means of compensatory measures.

The companies covered in this report have an environmental management system that has been implemented and certified according to the international DIN EN ISO 14001:2015 standard. The exceptions are the production sites in Karawang, Indonesia, Fremont, USA, Neuffen, Germany, and the new production site in Texas, USA. In addition to external system certification, internal audits are also performed at the production sites, for example with regard to energy and hazardous materials management. The indicators shown below are calculated once per year, analyzed, and submitted to the Management Board for information purposes and as a basis for possible action.

In line with the Greenhouse Gas Protocol, ElringKlinger subdivides the environmental indicators into Scope 1, Scope 2, and Scope 3 emissions. Direct emissions attributable to the company itself include emissions from gas, heating oil, engine test benches, and the company's own vehicle fleet (Scope 1). Scope 2 emissions are indirect CO_2 emissions caused by electricity consumption. The reported Scope 3 emissions relate to employee air travel.

In 2023, both direct and indirect CO_2 emissions declined to 68,270 tons (2022: 73,650[5] tons). CO_2 emissions per EUR 1 million of total Group revenue stood at 37.0 tons (2022: 41.0 tons).

Of the total direct CO_2 emissions in tons, 19,200 tons (2022: 21,200 tons) were Scope 1 emissions from gas and heating oil consumption. Direct CO_2 emissions from the fleet and rental vehicles fell to 710 tons in the reporting year (2022: 780 tons5), despite the larger number of company vehicles (2023: 303 vehicles/2022: 245 vehicles). The average CO_2 emissions per vehicle in the company vehicle fleet and by rental vehicles were cut to 105 g/km (2022: 118 g/km). The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include all countries outside Germany.

Total indirect CO_2 emissions fell by 6.4% to 48,360 tons (2022: 51,670 tons). This change in indirect CO_2 emissions is mainly due to the significant decrease in emissions from electricity consumption, which fell to 45,800 tons in the 2023 reporting year (2022: 50,400 tons).

ElringKlinger maintains a metering infrastructure at its European production plants to facilitate an end-to-end assessment of energy flows, because the Group attaches great importance to the responsible use of the energy required for the manufacture of its products. This enables previously unused potential for energy efficiency to be tapped, energy costs to be lowered, and the emission of greenhouse gases (e.g., CO_2 emissions) to be reduced. All European production sites are certified to ISO 50001 apart from the new site in

[5] ElringKlinger refined the method of calculating its fleet data in 2023; previously, the contractually agreed kilometers were used for the purpose of calculation, on the basis of which fleet emissions for 2022 amounted to 870 tons of CO_2. On the basis of the actual kilometers driven, the figure in respect of fleet emissions changed to 780 tons for 2022. Total direct CO_2 emissions as well as total direct and indirect CO_2 emissions for 2022 also changed.

	2023	2022
Total direct and indirect CO_2 emissions in t[7]	**68,270**	**73,650**
Total direct CO_2 emissions in t [1,7]	**19,910**	**21,980**
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	19,200	21,200
of which direct CO_2 emissions by the vehicle fleet in t[2,7]	710	780
Total indirect CO_2 emissions in t	**48,360**	**51,670**
of which indirect CO_2 emissions from electricity in t[3]	45,800	50,400
of which indirect CO_2 emissions from air travel in t[4,5]	2,560	1,270
CO_2 emissions per EUR 1 million of revenue in t	**37.0**	**41.0**
CO_2 emissions offset in t[6]	**15,450**	**16,000**

[1] ElringKlinger AG's total direct CO_2 emissions for 2023 amounted to 10,700 tons (2022: 11,300 tons). These comprise 10,200 tons (2022: 11,000 tons) of direct CO_2 emissions from gas, oil, and engine test benches, among other sources, and direct CO_2 emissions from the AG's vehicle fleet, which amounted to 560 tons in 2023 (2022: 670 tons).
[2] Emissions are calculated by multiplying the actual kilometers driven by the vehicles annually, i.e., mileage, by the CO_2 emissions stated by the relevant vehicle manufacturer. The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include all countries outside Germany.
[3] At the parent company, ElringKlinger AG, 0 tons (2022: 0 tons) of indirect CO_2 emissions arose from electricity in 2023. (Indirect CO_2 emissions are calculated using the market-based method).
[4] Of the indirect CO_2 emissions from air travel, ElringKlinger AG accounted for 1,960 tons in 2023 (2022: 1,020 tons).
[5] Air travel from the sites in Germany, Switzerland, France, Romania, Hungary, and partly the United Kingdom as well as centrally recorded flights from the sites in Italy, Turkey, and the Unites States.
[6] ElringKlinger paid to offset its emissions from gas consumption, the vehicle fleet, and air travel at its German production companies.
[7] ElringKlinger refined the method of calculating the fleet data in 2023; previously, the contractually agreed kilometers were used for the purpose of calculation, on the basis of which the fleet emissions for 2022 amounted to 870 tons of CO_2. On the basis of the actual kilometers driven, the figure in respect of fleet emissions changed to 780 tons for 2022. Total direct CO_2 emissions as well as total direct and indirect CO_2 emissions for 2022 also changed.

Neuffen. ISO 50001 certification for the production site in Neuffen is scheduled for the first quarter of 2024.

At some sites, the Group operates combined heat and power (CHP) units as well as wind and several solar installations at the plants in Spain, India, and China so as to protect the environment and become more independent of electricity suppliers. The advantage of a CHP unit is that electricity and heat can be obtained in parallel. In 2023, energy consumption (electricity, gas, heating oil, and fuel for engine test benches) was down on the prior-year level at 286,200 MWh (2022: 291,600 MWh). Of this, a total of 106,900 MWh (2022: 107,440 MWh) is attributable to ElringKlinger AG.

Mitigating climate change is extremely important in the ElringKlinger Group. Continuous process optimization and the procurement of energy-efficient equipment are designed to help reduce consumption of finite resources. ElringKlinger also invests regularly in building maintenance, which also brings energy savings. Although these measures generally contribute to lower emissions, Group growth and the procurement of new equipment or the commissioning of further production plants may be accompanied by step-fixed increases in CO_2 emissions. Changes in the CO_2 emissions in the Group are constantly monitored and analyzed by the environmental officer.

2.0% of ElringKlinger's investments in property, plant, and equipment and investment property went toward measures designed to reduce emissions in 2023. This indicator differs from the scope of definition stipulated by the EU Taxonomy in terms of both its amount and what it covers, as the focus of the indicator presented here is exclusively on emission reductions. These included a newly installed photovoltaic system and the construction of a new heat pump for the purpose of improving the heating efficiency of the buildings. The target of putting approximately 1% of total investments toward emission-reducing measures was thus met in 2023.

Occupational health and safety

ElringKlinger is well aware of its corporate responsibility as an employer and wants to ensure a healthy, safe, and secure working environment. It is therefore ElringKlinger's mission to reduce accidents at work to an absolute minimum and promote employee health.

Giving all employees a healthy, safe, and secure working environment is extremely important to ElringKlinger. Through its health and safety management system, Elring refined its own occupational health and safety processes and standards that are specific to the company, which includes international occupational health and safety standards. This system is audited at all production plants worldwide. The health and safety management system is certified in accordance with the ISO 45001 standard, with the exception of the following production plants: Neuffen, Germany, Chongqing, China, San Antonio, USA, Fremont, USA, Solihull, UK, Karawang, Indonesia, Timisoara, Romania, and EKPO Fuel Cell Technologies GmbH in Dettingen, Germany. This is mainly due to the plant size. The Neuffen plant, opened in 2022, will be certified in 2024.

ElringKlinger endeavors to avoid occupational accidents altogether and pursues a proactive approach to achieve this. Clearly defined work instructions on the issue of safety, regular safety training, preventive measures in individual workplaces, a technical safety standard for systems and work equipment, and suitable protective equipment are intended to ensure that this is the case. Occupational health and safety is also covered in EKOS*, the production system used across the Group. Among other things, it stipulates that the daily shop-floor meetings in production focus on "safety first" and start with the issue of health and safety at work. In addition, risk assessments are prepared and continuously updated at the production plants, complemented by safety inspections. Compliance with the regulations is verified by means of regular internal audits. Any findings from these are set out in plans of action, and countermeasures are implemented accordingly. The occupational health and safety policy and the central processes for occupational health and safety management apply equally to employees across the ElringKlinger Group.

Managing occupational health and safety issues is the responsibility of the corporate unit, which reports directly to the Management Board of ElringKlinger AG. In parallel, the unit is responsible for ensuring that minimum standards for occupational health and safety and health protection are defined and implemented in the relevant corporate units. Among other things, this relates to safety technology, protective equipment, the handling of hazardous substances, the procurement of safe equipment, and the qualification of employees.

In the reporting period, the number of occupational accidents was reduced to 105 (2022: 124 occupational accidents) that resulted in staff being off work for more than three days. Of these, 43 occupational accidents (2022: 47 occupational accidents) related to ElringKlinger AG. The relative accident rate per 1,000 employees stood at 11.0 (2022: 13.1) in the Group as a whole and at 14.5 (2022: 16.2) at the parent company. The cause of all accidents and the related course of events are analyzed in detail and corrective and preventive measures to avoid similar accidents are defined and implemented. The figure for occupational accidents causing staff to be off work for more than three days is part of the ElringKlinger indicator system and is presented to the Management Board every month.

ElringKlinger's health management considers the needs of employees to reduce stress in the workplace and implement uniform standards, which is why ElringKlinger takes preventive measures that promote health and focus on needs and target groups. Apart from ergonomic workstations, these include various training sessions that address the topics of nutrition, physical fitness, and first aid.

Targeted recruitment and development of employees

To avoid potential shortages of skilled staff, ElringKlinger aims to continue to focus on the recruitment of qualified professionals. At the same time, the Group seeks to develop its workforce by means of specific training measures. In this context, ElringKlinger is committed to actively highlighting prospects for the future and encouraging employees to remain with the company for the long term. Implementation of the new 2030 HR strategy, which started in 2022, was finalized in the reporting year.

The automotive sector as a whole is undergoing a major transformation process. ElringKlinger's significant changes to the product portfolio allied with wide-ranging digitalization projects mean that specialists are increasingly in demand, especially in the areas of research and development and IT, as well as the new areas of business. As a technology-oriented Group, ElringKlinger is also impacted by the shortage of skilled staff, particularly in the future-focused fields of alternative drive technologies. The ability to attract qualified staff is therefore a principal concern for the Group.

Employee development is a key component of the corporate culture, and as such it is specifically referenced in the code of conduct and the principles of management. In all key decisions, Human Resources maintains close contact with the Management Board.

Due to the shift within the automotive industry toward alternative drive systems, the Group adapted employee numbers to the current business situation in many units. At the same time, ElringKlinger added staff in the strategic fields of the future in particular. To make recruitment a success, a new unit was set up in the human resources department in 2023. Its first activity was to centralize recruitment activities for the plants around the headquarters in Dettingen an der Erms. The use of digital media also plays an increasingly important role in the recruitment of new employees. To reach out to different target groups, ElringKlinger harnessed various social media channels (including LinkedIn and Facebook), its own jobs page, and various other careers portals as well as university partnerships. The Group also attended several vocational training fairs, including another ElringKlinger "INFO Day" for training and study. After the end of the coronavirus pandemic, in-person events could be offered again in 2023, such as study visits for school and university students. In addition, the Group uses a new platform called "Jobteaser" to directly recruit interns from universities. In addition to using external recruitment options, the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees with the employee referral scheme "Bring a Talent." A total of 68 new employees have been brought on board since the initiative was launched in September 2018.

The Group builds up internal expertise through a range of training programs and work-study courses. Alongside the external recruitment of specialists, these measures are important both in terms of training new internal experts and retaining qualified staff for the long haul. In the fall of 2023, 11 work-study students and 21 apprentices embarked on courses at the main site of ElringKlinger AG in Dettingen/Erms. Thus, ElringKlinger was able to fill 5 dual study programs and 9 vocational job profiles in the reporting year.

ElringKlinger also offers training programs specifically for engineers who are already qualified. In this regard, the company is an industry partner to a project supported by the state of Baden-Württemberg, which looks at the transfer of qualifications for technical specialists and industry experts in a time of structural change with the aim of supporting technicians, foremen, and engineers through a period of structural change. To this end, practical training modules aimed at the subject areas of emission-free drive systems, data science, and artificial intelligence were developed and

* Cf. glossary

trialed through collaboration with project partners representing industry and science. Since the project began, several engineers and technical professionals from ElringKlinger AG have been able to participate in the training offered and apply the knowledge acquired.

During the 2023 financial year, an average of 87 employees were engaged in training at the parent company ElringKlinger AG in Dettingen/Erms (2022: 90 employees). The training ratio for the Group (number of vocational trainees and internal students in relation to the total number of employees) stood at 1.5% on average (2022: 1.6%). The training ratio for the parent company fell to 3.0% in 2023 (2022: 3.1%).

For training, ElringKlinger uses new digital training formats like webinars, real-time online training sessions, EDP courses, and video training, which can be found on the global "EK University" learning platform. Regardless of the workplace and location, ElringKlinger can keep its employees up to date with the latest technology and modern working methods, as well as expanding existing skills. Aside from the "EK University" learning platform, development of the "HR Academy" was initiated in 2023 and the first few modules were rolled out. These are available worldwide as training for Human Resources staff at ElringKlinger. The aim of the "HR Academy" is to reinforce employees' professional skills and expand their expertise for successful Human Resources work.

As part of the high-potential program, Group employees with strong development potential in three regions – APAC (Asia-Pacific), Americas (USA, Canada, Mexico, and Brazil), and EMEA (Europe, Middle East, and Africa) – are given opportunities to boost their skills; this includes a training course comprising several modules in support of professional advancement. The 25 participants in total who were selected for the 2023 reporting year were developed with training sessions, feedback meetings, and events in all regions. The group also worked on individual specialist projects and joint regional projects.

The recently established Senior Management Development Program began in the 2023 reporting year. The eight participants selected are to grow their talents as part of the program so that they can take on a senior management role in the Group as Vice President or General Manager. During the reporting year, the participants attended a variety of training modules on management topics, including "Managing Self," "Managing Team," and "Managing Business." They also took part in work shadowing at the UK plant in November of the reporting year to experience and understand a General Manager's challenges and strategy. Implementation of the Shop Floor Qualification, launched back in 2022, was concluded successfully at almost all production plants in 2023 to ensure the standardized Group-wide on-boarding of new production staff.

A system-based, globally standardized process is designed to ensure that all indirect and general employees around the world receive feedback on their skills and personal performance once a year. In the process, individual needs, achievements, and goals are determined and assessed by the respective managers. The ratio (proportion of performance reviews to average number of employees, not including vocational trainees and internal students) stood at 50.8% for the Group in 2023 (2022: 47.5%). The total population at ElringKlinger for the performance reviews is all employees, with the exception of those directly involved in production. The Group will be able to increase the current average ratio of 51%[6] as soon as a standard process for this has been established. In the long term, ElringKlinger is aiming for a target ratio for all employees of 100%[7]. For the parent company ElringKlinger AG, the ratio for 2023 stood at 61.6% (2022: 51.4%).

[6] Incl. 113 performance reviews for direct employees, which were conducted as part of a pilot project.
[7] Target ratio of 70% by 2026 was raised due to the new HR strategy.

Having established a culture of being a "great company to work for," ElringKlinger is now aiming to attract motivated and qualified people by sustaining its successful position on the labor market. With demand for qualified staff remaining especially high in the strategic fields of the future, further education and training will continue to play a critical role in future. Thanks to the newly developed 2030 HR strategy, which was finalized and rolled out in 2023, Human Resources is helping the Group to overcome the wide variety of challenges posed by the transformation and to enhance corporate culture and management quality. Other strategic key areas include fine-tuning the organization of Human Resources and continuing to digitalize personnel-related processes and products.

EU Taxonomy

The European Commission signed off its action plan for financing sustainable growth in 2018. To channel capital flows toward sustainable investments, criteria for measuring the economic sustainability of an investment need to be defined. This action plan therefore includes the introduction of an EU classification system for sustainable activities, which the Commission accomplished by means of the Taxonomy Regulation (2020/852) in 2020. These criteria are intended to prevent so-called "greenwashing[8]."

With its non-financial disclosure obligations having been extended, ElringKlinger provides details on its implementation of the EU Taxonomy Regulation (Regulation (EU) 2020/852) – hereinafter "EU Taxonomy." The Group is among those required to prepare a non-financial statement in accordance with Sections 289b et seqq. and 315b et seqq. of the German Commercial Code (Handelsgesetzbuch – HGB), meaning that it is obligated pursuant to Article 1 of the EU Taxonomy Regulation to comply with the requirements resulting therefrom.

The EU Taxonomy Regulation (9) defines six climate and environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The EU has published screening criteria for sustainable economic activities with regard to all climate and environmental objectives[9]. In a first step, ElringKlinger's economic activities are to be analyzed to determine Taxonomy-eligibility, i. e., whether they fall within the scope of the EU Taxonomy. The second step is to assess whether the activities identified as Taxonomy-eligible are Taxonomy-aligned. Taxonomy-alignment is considered to apply if all defined technical screening criteria for the activity concerned are fulfilled and minimum safeguards are met. In the first year of application, ElringKlinger initially conducted an assessment of Taxonomy-eligibility for the judicial acts applicable as from the 2023 financial year.

These criteria define the conditions under which an activity is to be classified as being sustainable. ElringKlinger continuously analyzes its contribution to the European Union's environmental objectives as part of a project to implement the EU Taxonomy – with a joint team from Financial Reporting and Corporate Sustainability.

All economic activities were initially reviewed in workshops together with the representatives of the business units and the Quality department, their relevance with regard to EU Taxonomy eligibility was assessed, and they were allocated to individual activities. The results were then used to review the respective conditions for alignment and determine the key performance indicators (KPIs) (turnover (i. e., sales revenue), Capex, and Opex) for the activities identified as Taxonomy-eligible and Taxonomy-aligned. To this end, data was taken from Financial Accounting and validated centrally by Group Accounting. Double counting was avoided by

[8] Greenwashing describes efforts to present oneself as particularly environmentally aware and environmentally friendly by donating money to environmental projects, PR measures, and similar.
[9] Delegated Regulations 2021/2139 (environmental objectives 1 to 2); 2022/1214 (gas and nuclear energy); 2023/2486 (environmental objectives 3 to 6); 2023/2485 (amendment with regard to environmental objectives 1 to 2)

clearly allocating each item of Taxonomy-eligible and Taxonomy-aligned turnover (i.e., sales revenue), capital expenditure, and operating expenditure to a single Taxonomy-eligible economic activity.

As a technology Group focused on developing, manufacturing, and selling products and components for the vehicle industry, ElringKlinger falls within the scope of the EU Taxonomy in its Original Equipment segment in respect of the activities in its E-Mobility, Lightweighting/Elastomer* Technology, and Metal Forming & Assembly Technology business units. Within the E-Mobility business unit, the Group is engaged in the development and production of battery and fuel cell technologies. The electric drive units, which are part of the core technologies, fall under activity 3.18. Based on the current status of the EU Taxonomy, products from the Metal Forming & Assembly Technology and Lightweighting/Elastomer Technology business units, which are also manufactured for vehicles powered exclusively by electric drive technologies, were classified as Taxonomy-eligible within activity 3.18. Any further clarification provided by the European Commission may result in adjustments in interpretation in subsequent periods.

As part of the evaluation of the alignment criteria, an assessment is made as to whether the Taxonomy-eligible economic activities make a substantial contribution to a climate objective defined by the Taxonomy Regulation and whether no other climate or environmental objective is significantly harmed in the process and the minimum safeguards are met.

The technical screening criteria that determine whether an economic activity makes a substantial contribution to a climate objective and whether significant harm to one of the other climate and environmental objectives is avoided (DNSH = do no significant harm) were applied to all Taxonomy-eligible activities either on the basis of the technical characteristics of individual assets or on the basis of national laws. A detailed climate risk analysis was also conducted in connection with this review pursuant to Appendix A. The results from the individual evaluations of DNSH criteria are presented in the following tables.

Specific elements of evidence have been applied to verify and document whether a substantial contribution is made to achieving one or more of the climate and environmental objectives of the article, whether there is no harm to one or more of the climate and environmental objectives, and whether the technical screening criteria have been met. The substances listed in Appendix C with regard to the DNSH criterion on environmental pollution were assessed for the Taxonomy-eligible activities. As regards the Taxonomy-eligible activity 3.4 Manufacture of batteries, an Essential Use Assessment in accordance with the recommendations of the European Chemical Industry Council (Cefic) was conducted, in addition to a review of compliance with the limits according to the REACH Regulation. In ElringKlinger's view, the Essential Use criterion of Appendix C has been fulfilled, due also to the fact that use of such substances only occurs in very small quantities.

In addition, compliance with minimum safeguards in accordance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the International Bill of Human Rights was reviewed and documented at the level of Taxonomy-eligible activities with the aid of various corporate documents, policies, and voluntary commitments (e.g., code of conduct, compliance policies, supplier code of conduct). ElringKlinger communicates the minimum safeguards both within its own business units and vis-à-vis its business partners, including suppliers. In this context, the Group uses publicly accessible documents such as the supplier code of conduct. In addition, risk analyses as well as preventive and control measures are based on these requirements. The existing "Share with us" whistleblower system can be used for the purpose of submitting reports on potential violations relating to all topics. In the financial year under review, the assessment of the minimum safeguards with regard to the issue of human rights in the supply chain was also underpinned by a structured risk analysis. For this purpose, the Group accessed publicly available data sources, e.g., from the Department of Economic and Social Affairs of the UN as well as expert knowledge regarding commodity group risks. In summary, the assessment did not identify any violations of the criteria set out in Art. 18 of the EU Taxonomy Regulation and in the report on minimum safeguards of the Platform on Sustainable Finance.

In its Battery Technology sub-unit, ElringKlinger develops and manufactures battery components and systems, among other things, tailored to various requirements of automotive industry customers. These key technologies help to enable and promote emission-free road transport. The products are used in fully (100%) electrified passenger cars as well as in infrastructure applications, e.g., for fixed or mobile charging stations, energy storage systems, or also as grid stabilization technology. Based on ElringKlinger's analyses, the Group has concluded that the development and production of battery technology can be allocated to activity 3.4 (manufacture of batteries) in pursuit of the climate objective of "climate change mitigation" and is thus to be regarded as Taxonomy-eligible. The activity also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also Taxonomy-aligned.

The Group pools all its fuel cell technology activities in the company EKPO Fuel Cell Technologies (EKPO), an entity operated jointly by ElringKlinger and Plastic Omnium. Its product portfolio includes fuel cell systems that are used in various means of transport and contribute toward carbon-neutral mobility. The analyses undertaken within the Group have shown that the development and production of fuel cell systems can be directly allocated to activity 3.2 (manufacture of equipment for the production and use of hydrogen) under the EU Taxonomy; this activity is thus to be regarded as Taxonomy-eligible. Exceptions to this are individual components that may not be allocated to activity 3.2. These relate to bipolar plates, which are taken into account within activity 3.18 of the EU Taxonomy; this matter is discussed in more detail in the following section. Activity 3.2 also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also Taxonomy-aligned.

As of the 2023 reporting year, the EU Commission has specified an additional climate target within the EU Taxonomy that is of relevance to ElringKlinger. As part of activity 3.18 "Manufacture of automotive and mobility components," the Group can account for various business units that manufacture components. In this context, the definition covers components for electric drive units (EDUs*) in the Drivetrain sub-unit as well as EDUs themselves. Consisting of an electric motor, a gear system, and the power electronics, they form a key component inside an electric vehicle, as they drive the axles and thus provide the basis for carbon-neutral mobility.

In addition, other business units of importance to ElringKlinger, such as Lightweighting/Elastomer Technology and the Metal Forming & Assembly Technology business unit, now fall within the scope of the EU Taxonomy. Thanks to lighter vehicle components, relevant energy savings can be achieved during the operation of a vehicle. Shielding technology components are also taken into account, as these prevent electromagnetic radiation from reaching areas in which it poses a risk of damage.

Furthermore, individual components relating to fuel cells are now also taken into account, in particular bipolar plates, which are sold separately and are essential explicitly to the positive environmental performance of the fuel cell stack, as they are a key component with regard to functionality. As part of its interpretation of the Taxonomy, ElringKlinger only considers components that are installed in purely electrically powered vehicles. The fact that the use of such components in both combustion and hybrid vehicles has a positive effect on their environmental footprint (e.g., fuel consumption) is not taken into consideration. However, the Group pursues and promotes such usage in the context of its sustainability and corporate strategy.

As well as considering Taxonomy-eligible and Taxonomy-aligned Group turnover (i.e., sales revenue), as part of the EU Taxonomy, investments in intangible assets, property, plant, and equipment, and right-of-use assets in accordance with IAS 38, IAS 16, and IFRS* 16 are also taken into account when determining the capital expenditure (Capex) KPI.

The Capex items identified as being Taxonomy-eligible relate either to the Taxonomy-eligible activities in the business units described above or to the following activities considered Taxonomy-eligible: 6.5 (transport by motorbikes, passenger cars, and (light) commercial vehicles) for company vehicles of employees, 7.2 (renovation of existing buildings), 7.6 (installation, maintenance and repair of renewable energy technologies), or 7.7 (acquisition and ownership of buildings) for production and administration buildings.

* Cf. glossary

The business units made the following material Taxonomy-eligible and, in part, Taxonomy-aligned (cf. 3.18) investments in the 2023 financial year:

- Investment in production machinery and buildings and in related technical equipment (allocated to activities 3.2, 3.4, 3.18)
- Capitalized development costs for the business unit's products (allocated to activities 3.2, 3.4, 3.18)

The following Taxonomy-eligible and, in part, Taxonomy-aligned investments were made outside the business units:

- Leasing company cars (allocated to activity 6.5)
- Investment in photovoltaic panels (allocated to activity 7.6)
- Renting buildings not part of the E-Mobility business unit (allocated to 7.7)

The KPI of Taxonomy-eligible operational expenditure (Opex) was calculated based on expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair. The individual components were analyzed and, if applicable, allocated directly to the activities listed that are Taxonomy-eligible and Taxonomy-aligned. To determine the maintenance and repair costs, allocation was performed, in part, on the basis of revenue.

The denominator for the Taxonomy KPI "turnover" (i.e., sales revenue) comprises consolidated sales revenue within the meaning of IAS 1 82(a) (consolidated sales revenue). The denominator for the Taxonomy KPIs "Capex" and "Opex" comprises additions to and/or investments in assets in accordance with IAS 16, IAS 38, and IFRS 16 (Capex) as well as expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair (Opex). Consolidated sales revenue (2023: EUR 1,847 million) as well as capital expenditure (2023: EUR 106 million) can be reconciled with the consolidated financial statements. Further information on the KPIs can be found in the notes to the consolidated financial statements of the 2023 annual report under sales revenue (1), intangible assets (12), and property, plant, and equipment (13).

The KPIs for the financial year are as follows:

EU-Taxonomy 2023

Turnover Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
		2023		**Substantial contribution criteria**					
		EUR k	**%**	**Y; N; N/EL (a)**	**Y; N; N/EL (a)**	**Y; N; N/EL (a)**	**Y; N; N/EL (a)**	**Y; N; N/EL (a)**	**Y; N; N/EL (a)**
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**23,894**	**1.29%**						
Manufacture of equipment for the production and use of hydrogen	3.2	10,203	0.55%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	13,691	0.74%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**23,894**	**1.29%**	**1.29%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**23,894**	**1.29%**	**1.29%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**0**	**0.00%**						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**
Manufacturing		**112,857**	**6.11%**						
Manufacture of automotive and mobility components	3.18	112,857	6.11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**112,857**	**6.11%**	**6.11%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**136,751**	**7.40%**	**7.40%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Turnover of Taxonomy-non-eligible activities		1,710,249	92.60%						
Total (A + B)		**1,847,000**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

DNSH criteria									
Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, Year 2022	Category enabling activity	Category transitional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Y	Y	Y	Y	Y	Y	Y	0.60%	E	
Y	Y	Y	Y	Y	Y	Y	0.50%	E	
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.10%**		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.10%**	**E**	
							–		**T**

Capex Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**33,430**	**31.56%**						
Manufacture of equipment for the production and use of hydrogen	3.2	19,907	18.79%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	13,523	12.77%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Transport		**160**	**0.15%**						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	160	0.15%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Construction and real estate activities		**1,041**	**0.98%**						
Installation, maintenance and repair of renewable energy technologies	7.6	1,041	0.98%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**34,631**	**32.69%**	**32.69%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**34,471**	**32.54%**	**32.54%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**160**	**0.15%**	**0.15%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

	DNSH criteria									
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Capex, Year 2022	Category enabling activity	Category transitional activity
	Y/N	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
	Y	Y	Y	Y	Y	Y	Y	19.50%	E	
	Y	Y	Y	Y	Y	Y	Y	8.00%	E	
		Y		Y	Y	Y	Y	0.10%		T
		Y					Y	1.00%	E	
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**28.60%**		
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**28.60%**	**E**	
		Y		**Y**	**Y**	**Y**	**Y**	**–**		**T**

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Capex Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)
Manufacturing		**18,488**	**17.45%**						
Manufacture of automotive and mobility components	3.18	18,488	17.45%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport		**2,723**	**2.57%**						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	2,723	2.57%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Construction and real estate activities		**6,209**	**5.86%**						
Renovation of existing buildings	7.2	4,945	4.67%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	7.7	1,264	1.19%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2))		**27,420**	**25.88%**	**25.88%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**62,051**	**58.57%**	**58.57%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Capex of Taxonomy-non-eligible activities		43,887	41.43%						
Total (A + B)		**105,938**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

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DNSH criteria									
Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Capex, Year 2022	Category enabling activity	Category transitional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T

Opex Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Opex	Proportion of Opex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**19,901**	**18.86%**						
Manufacture of equipment for the production and use of hydrogen	3.2	4,903	4.65%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	14,998	14.21%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**19,901**	**18.86%**	**18.86%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**19,901**	**18.86%**	**18.86%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**0**	**0.00%**						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**
Manufacturing		**6,645**	**6.30%**						
Manufacture of automotive and mobility components	3.18	6,645	6.30%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Opex of Taxonomy-eligible activities but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**6,645**	**6.30%**	**6.30%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**26,546**	**25.15%**	**25.15%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Opex of Taxonomy-non-eligible activities		78,989	74.85%						
Total (A + B)		**105,535**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

	DNSH criteria									
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Opex, Year 2022	Category enabling activity	Category transitional activity
	Y/N	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
	Y	Y	Y	Y	Y	Y	Y	9.20%	E	
	Y	Y	Y	Y	Y	Y	Y	13.40%	E	
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**22.60%**		
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**22.60%**	**E**	
								–		**T**

Reporting of the scope of taxonomy eligibility and alignment in accordance with environmental objective

	Proportion of turnover/ total turnover		Proportion of Capex/total Capex		Proportion of Opex/total Opex	
	Aligned per objective	Eligible per objective	Aligned per objective	Eligible per objective	Aligned per objective	Eligible per objective
CCM	1.29%	7.40%	32.69%	58.57%	18.86%	25.15%
CCA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WTR	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PPC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BIO	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CCM Climate change mitigation
CCA Climate change adaptation
WTR Water and marine resources
CE Circular economy
PPC Pollution prevention and control
BIO Biodiversity and ecosystems

Dettingen/Erms, March 26, 2024

The Management Board

Thomas Jessulat
CEO

Reiner Drews

Dirk Willers

Limited assurance report of the Independent Practitioner regarding the non-financial reporting for the financial year from January 1 to December 31, 2023

To ElringKlinger AG, Dettingen an der Erms/Germany

Our Engagement

We have performed a limited assurance engagement on the separate consolidated non-financial report of ElringKlinger AG, Dettingen an der Erms/Germany (hereafter referred to as "the Company"), which has been combined with the non-financial report of the Company, for the financial year from January 1 to December 31, 2023 (hereafter referred to as "non-financial reporting").

Our assurance engagement does not cover the references to external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included in the non-financial reporting.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial reporting in accordance with the requirements of Secs. 289c to 289e German Commercial Code (HGB), Secs. 315c in conjunction with 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with the interpretation by the executive directors of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as presented in the section "EU Taxonomy and External Measurements" of the non-financial reporting.

These responsibilities of the executive directors include the selection and application of appropriate methods regarding non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement, whether due to fraud (i.e., manipulation of the non-financial reporting) or error.

The EU Taxonomy Regulation and the delegated acts adopted thereon contain wording and terminology that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section "EU Taxonomy and External Measurements" of the non-financial reporting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The accuracy and completeness of environmental data in the non-financial reporting is thus subject to inherent restrictions resulting from the way the data was collected and calculated and from assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Code of Conduct for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the quality management standards promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality management system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting of the Company, with the exception of references to the external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included therein, has not been prepared, in all material respects, in accordance with Secs. 289c to 289e HGB, Secs. 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in the section “EU Taxonomy and External Measurements” of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner’s professional judgment.

Within the scope of our limited assurance engagement, which we performed from December 2023 to March 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the sustainability organization of the Group, and of the involvement of stakeholders
- Inquiries of the executive directors and relevant personnel at the registered office in Dettingen an der Erms/Germany, who have been involved in the preparation process about the preparation process, the system of internal control relating to this process as well as about disclosures in the non-financial reporting
- Identification of probable risks of material misstatement in the non-financial reporting
- Analytical evaluation of selected disclosures in the non-financial reporting
- Squaring of selected disclosures with corresponding data in the consolidated and annual financial statements and in the combined management report
- Evaluation of the presentation of the non-financial reporting
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the non-financial reporting

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, are prone to uncertainty.

Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial reporting for the financial year from January 1 to December 31, 2023 has not been prepared, in all material respects, in accordance with Secs. 289c to 289e HGB, Secs. 315c in conjunction with 289c to 289e HGB, and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in the section “EU Taxonomy and External Measurements” of the non-financial reporting.

We do not express a conclusion on the references to external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included in the non-financial reporting.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" in the version dated January 1, 2017, promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and that the report is solely intended to inform the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Stuttgart/Germany, March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Sebastian Dingel	Eike Bernhard Hellmann
Partner	Senior Manager