



Corporate Responsibility Report

2021

hGears | the **heart** of your
performance

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NON-FINANCIAL CONSOLIDATED STATEMENT PURSUANT TO SECTION 315B HGB

“Enabling outstanding solutions for a better world”

Innovation and growth have always characterized our entrepreneurial DNA. Together with our other values of unity – “one hGears,” integrity, diversity, and consciousness for tomorrow – “sustainability,” we have built a strong foundation for contributing to a better world.

- One hGears: Anything is possible when we work together!
- Integrity matters: We are honest and transparent!
- We are diverse: We empower everyone!
- Passion for growth: Development is in our DNA!
- Driven by innovation: Our curiosity creates opportunities!
- Dedicated to sustainability: Whatever we do, we do for tomorrow!

The COVID-19 pandemic has shown how quickly changes with a major social impact are possible and how important it is for companies to be agile and adaptable. hGears operates in the innovative, fast-growing e-mobility market. Mobility is among those sectors undergoing one of the most transformational technological shifts. The COVID-19 pandemic highlighted the immense potential of cycling because, while public transport was used less in many cities, the use of bicycles increased enormously – and the urban growth potential is very high.¹ In any case, electric vehicles are a key disruptive force in the mobility market.²

- The number of registrations of electric and hybrid vehicles has increased significantly due to increasing urbanization and growing demand for micromobility solutions and higher legal requirements for emission reduction.

- The European market for e-bikes and EHVs (Electric & Hybrid Vehicles) is forecast to grow by 43% and 22% per year, respectively, from 2020 until 2025³.

Due to the strategic decision to focus on fast-growing, sustainable end markets, such as e-mobility, hGears has turned out to be one of the winners of this structural change. We seize the right emerging opportunities and adapt our business and operating models swiftly. As winners of this change, we want to give back not only to our investors, but to all the people who come into contact with us or are affected by our business.

Making the rapid growth of the mobility market sustainable to all stakeholders – both from a production and a distribution perspective – is a challenge for us. But we love challenges and since hGears is known for our “we can do it” attitude, we take responsibility for our results. We intend to tackle all of the tasks this involves in the areas of governance, people and planet as ambitiously as the achievement of the best product performance. *We walk the talk.*

As a supplier of first-class precision gears and components for e-mobility applications, we see our main task in supporting the shift to clean mobility, and we look forward to accompanying our many customers on this journey. However, a “green” business model does not automatically make a company sustainable. That is why, just one year after hGears’ IPO, we set ourselves the goal of producing a Non-Financial Report in which we show our stakeholders, based on a broad data basis, our ongoing developments towards becoming an even more sustainable and responsible company.

Our journey towards sustainability has only begun, but right from the start, we want to meet the high standards of the World Economic Forum (WEF) and the Global Reporting Initiative (GRI), and also make our contribution to the Sustainable Development Goals (SDGs), wherever we can. We will selectively apply the recommendations of the WEF, the GRI, and the SDGs as far as reasonably possible.

The Sustainability Accounting Standards Board (SASB) has defined the following material topics for hGears’ industry: energy management, employee health and safety, product lifecycle management and business ethics. Improving performance in these areas has a strong positive impact on the overall ESG rating of the company, however, even more importantly, it will contribute to the world we live in. hGears’ sustainability strategy therefore focuses on these metrics.

Principles of Governance

Enabling Corporate Responsibility

In this fast-changing world, our core values remain firm. We show that growth and sustainability do not have to be opposites. We bring these dimensions together through unity, diversity, integrity, and innovation.

Sustainability is part of our business model, one of our core values, and permeates all our corporate actions – from corporate governance to our employees and all stakeholders who interact with us. To achieve this ambitious goal, sustainability is promoted by the Management Board. The

¹ <https://www.zukunftsinstitut.de/dossier/megatrend-mobilitaet/>

² <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/02/mobility-2030-transforming-the-mobility-landscape.pdf>

³ IHS Markit, March 2021; Cycle Industries Europe, CONEBI and ECF

CEO and the CFO are ultimately responsible for the successful implementation of our sustainability strategy. The Supervisory Board oversees the implementation of our sustainability strategy and has also reviewed the disclosures in this report.

Our conduct as a company throughout the Group is based on three main guidelines:

- The Code of Ethics contains a set of ethical principles and values that characterize the company's policy and determine the behavior of the recipients. The Code is available on the hGears website www.hgears.com under the "company" tab.
- Furthermore, we have drawn up policies on various topics in which we define the attitude and approach of hGears, which we will also publish on our website www.hgears.com under the "company" tab in the first half of 2022.
- Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Supervisory Board and the Management Board have issued a Declaration of Conformity with the "German Corporate Governance Code" to define the responsibilities and selection criteria for the Management Board. The Group's Declaration of Conformity can be found on the hGears website www.hgears.com under the "Corporate Governance" tab in the "Investor Relations" section.

Enabling integrity through compliance with regulations

hGears respects the integrity of marketplaces and fair competition, and strictly prohibits non-competitive behavior. In the years 2019, 2020, and 2021, hGears did not record any monetary losses that occurred as a result of legal proceedings associated with anti-competitive behavior regulations.

Since compliant behavior is a top priority for hGears, it is important that we learn of potential misconduct and are able to remedy it. Any concerns about unlawful behavior and lack of organizational integrity should be raised without fear of retaliation. To keep the barrier to raising such complaints low, a whistleblower mechanism will be implemented in the course of 2022.

Enabling fair competition

We believe in fair competition, and corruption and bribery harm fair competition. At hGears, bribery and corruption, including inappropriate/improper payment, special favors, extortion or kickbacks are fully prohibited. The company strives to avoid bribery and corruption at all its operations and adheres to all applicable national laws in Italy, Germany and China. hGears takes a zero-tolerance approach to bribery and corruption. The company is committed to carrying out all of its business honestly and with integrity. This means that hGears does not receive, give, or promise anything of value for the purpose of gaining an improper advantage. Engaging in bribery or corruption, as well as supporting it indirectly, can lead to substantial fines, dismissal, and imprisonment. Any violations of hGears' anti-bribery and corruption standards are treated seriously, and can lead to disciplinary measures, including a demotion, reprimand, forfeiture of bonuses, suspension and/or dismissal. Our employees will be able to find more details on our zero-tolerance approach to bribery and corruption in our bribery and corruption policy, which will be published on our website in the first half of 2022. In principle, compliance violations can lead to significant fines, loss of reputation, claims for damages or other penalties. hGears mitigates these risks with its Code of Ethics and the guidelines for action contained therein. For more information, please access the risk report. Our Code of Ethics also addresses in detail hGears' stance and

necessary approach to intellectual property as well as export controls and economic sanctions.

Enabling our stakeholders

We already maintain a dialogue with selected stakeholder groups, including employees, investors, analysts and other business partners. In the future, however, we would like to involve yet other groups, such as industry experts, universities or the scientific community. Since we strive to comply fully with

One hGears:
Anything is
possible when we
work together!

the standards of GRI, a materiality analysis is planned to take place in the near future. Materiality, according to GRI, addresses those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders, and society at large. By identifying and prioritizing material topics together with a multi-perspective stakeholder approach, we will be able to meet our objective of shared value to an even greater extent in the future.

We already hold conference calls on all quarterly results and participate in one-on-one meetings as well as conferences

where we exchange ideas with a group of select, primarily financial stakeholders. In fact, we participated in more than 100 one-on-one meetings and 5 conferences in 2021.

Enabling sustainability as part of our risk management

Socio-ecological risks are part of our risk management system. hGears' risk management system is designed in such a way that risks can be identified at an early stage and that countermeasures can be taken. This is explained in more detail in the Opportunity and Risk Report section of the Annual Report. In the Group, the Management Board and their subordinate operating managers are responsible for the risk management system. Risk management is supported by the internal control system (ICS).

The risk analysis identified climate change as a relevant non-financial risk for hGears. Climate change is a powerful transformative force that will alter the world as we know it. Key climate change-related risks arise from changing market conditions, disruptions to supply chains due to extreme weather events, increased costs of energy and supplies, and the impact of more significant changes in temperatures and weather on manufacturing facilities. This changing environment opens a wide range of opportunities for us. We are recognizing and seizing these opportunities through our range of products and services.

Planet

Climate change has been described as the most serious challenge facing the world today. Despite increasing efforts of countries and companies, there is a long way to go in the race to net-zero, decarbonization, and tackling the devastating effects of climate change. In this process, some sectors are being disrupted with new markets emerging, while other sectors are converging or disappearing entirely.⁴

We are diverse: We empower everyone!

By the time of the Paris Climate Agreement, global temperatures were projected to rise by 3.6 °C to 4.2 °C by the end of the 21st century – a development that would have had catastrophic consequences for the ecosystem. At current emission levels, global warming of 2.7 °C to 3.1 °C is projected. However, the Paris Climate Agreement target is well below 2 °C. This means that emission reduction efforts will have to be stepped up considerably. A total of 21% of 2016 global greenhouse gas emissions was attributable to energy usage in industrial production processes.⁵ Reducing greenhouse gas emissions from industrial companies is therefore critical in terms of countering climate change.⁶

Achieving the 2 °C target is a major challenge for our society. We are aware of our great responsibility to improve resource and energy efficiency and see it as our duty to constantly work on improving our environmental performance.

Turning risks into opportunities

"A new economic model is developing and we do not yet know its final shape, we only know it will necessarily be a model of circular economy based on new and extraordinary technologies. We will embrace this adventure with an open mind and heart giving our contribution of knowledge and passion."

Pierluca Sartorello – hGears CEO

Climate change has accelerated innovation in mobility solutions, among which e-mobility plays a key role. Here we want to enable outstanding solutions to shape a better world.

hGears is the market leader in the future-oriented and fast-growing field of e-mobility applications. In the field of precision gear parts and components for the e-bike end market, we are proud to be the global market leader. Our strengths are innovations and co-development capabilities and best in class product quality that is reflected in long-term relationships with blue chip customers.

Over the past few years, we have been able to significantly expand our sales of products that reduce emissions. For example, our sales in the areas of e-Mobility (e-bikes and EHV) and e-Tools (professional power tools and gardening tools) increased from EUR 70.0 million in 2019 to EUR 85.3 million in 2020 and EUR 91.7 million in 2021.

e-Mobility is the area of the business in which hGears will generate the highest growth in the years to come. The company is aware of its responsibility as an industrial Group. Currently, our complete focus is on enabling a shift towards e-mobility through our products. In the future, we will also gradually convert our conventional business to e-Mobility, and the next product generations will already be converted to electric and hybrid vehicles (EHV). We are confident that, due to the strategic decision to focus on components for e-mobility, we will benefit from the change in mobility habits instigated by

⁴ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/02/mobility-2030-transforming-the-mobility-landscape.pdf>

⁵ <https://ourworldindata.org/emissions-by-sector>

⁶ <https://globalchallenges.org/global-risks/climate-change/>

climate change. We are also feeling the first effects of climate change, which are described in the risk report. However, these have only been temporary and short-term thus far. We therefore do not expect any major business risks arising from climate change in the medium term.

Driven by innovation: Our curiosity creates opportunities!

Energy and greenhouse gas emissions

The Earth Overshoot Day, also known as Ecological Debt Day, fell on July 29 in 2021. It marks the day in a given year when the annual resources are used up. That means, in 2021, we used as many resources as 1.74 earth units would provide, but we only have 1 planet earth. Therefore, we understand it as our duty not only to reduce our emissions, but to also reduce our resource usage.

As part of our increasing awareness and investments in recent years, we were able to decrease our Scope 1 CO₂ emissions in Schramberg, Germany, and Padova, Italy, by more than 17% from 19,807.78 t in 2019 to 16,330.35 t in 2021. Sadly enough, due to an information restriction imposed in PRC, we were unable to calculate our exact CO₂ emissions at our plant in Suzhou, China.

We can currently only provide data on our indirect CO₂ emissions for our plant in Schramberg, but plan to extend this to the entire Group in the future. The respective values can be found in table 2. The Scope 2 CO₂ emissions in Schramberg declined significantly by 47.81% from 2019 to 2021. Scope 3 CO₂ emissions were reduced by 1.61% in the same period. Besides these CO₂ emissions, we do not produce any other greenhouse gases at all our plants.

| | Scope1 CO ₂ emissions [t] | Scope2 CO ₂ emissions [t] | Scope3 CO ₂ emissions [t] |
|------|--------------------------------------|--------------------------------------|--------------------------------------|
| 2019 | 808.75 | 4,823.98 | 8,062.56 |
| 2020 | 859.33 | 4,130.52 | 8,254.49 |
| 2021 | 587.63 | 2,517.59 | 7,933.12 |

Table 1: Scope1 – Scope3 emissions at our Schramberg plant in Germany

One of the initiatives through which we intend to reduce our CO₂ emissions is the introduction of fully electric heat treatment in Schramberg in the fall of 2021. This facility uses electricity instead of gas and therefore helps to reduce emissions.

Our energy consumption in terms of sales declined from 298.90 MWh/EUR million in 2019 to 287.58 MWh/EUR million in 2020 and 279.90 MWh/ EUR million in 2021.

| Energy usage kWh/EUR million | |
|------------------------------|--------|
| 2019 | 298.90 |
| 2020 | 287.58 |
| 2021 | 279.90 |

Table 2: Energy usage in relation to revenues

Due to a lack of data, we can currently only present the share of renewable energies in our electricity consumption for our

plant in Schramberg. Here we increased our share of energy from renewable sources from 37.94% in 2019 to 47.59% in 2020 and to 52.97% in 2021. The global certification ISO 50001 Energy Management System helps the production plants with their efforts to establish an energy management system and use their energy more efficiently and effectively. We will provide more detailed information on our approach to energy efficiency for our employees in our Energy Efficiency Policy, which will be published on our website in the first half of 2022.

As we believe there is no other way to keep our planet green, going forward, we also want to generate our own electricity through renewable sources wherever possible. One first step in this direction is the installation of solar power panels at our site in Suzhou in 2022 that will enable us to cover 20% of this site's energy requirements in the future.

Clean growth

Since all our products are composed of steel and some of aluminum as well, they are all recyclable. We are thus contributing to a circular economy, while improving our own environmental performance from year to year.

hGears is committed to constantly improving its management of all waste and reducing waste to minimize its adverse impact on the environment. We were able to reduce the waste we produce in relation to sales from 46.86 t/EUR million in 2019 to 43.76 t/EUR million in 2020 and 44.20 t/EUR million for 2021. Of that waste, a large share, 83.67% to be exact, was recycled or used for other purposes, an increase of 1.76 percentage points. The total amount of hazardous waste from manufacturing in relation to sales was kept relatively stable, at 10.27 t/EUR million in 2019 and 10.01 t/EUR million in

2021. Pursuant to ISO 14001, we keep close records of the production and processing of all waste.

| | Waste t/EUR million | Hazardous waste t/EUR million | Recyclability % |
|------|------------------------|----------------------------------|--------------------|
| 2019 | 46.86 | 10.27 | 81.91 |
| 2020 | 43.76 | 9.14 | 82.85 |
| 2021 | 44.20 | 10.01 | 83.67 |

Table 3: Production of (hazardous) waste linked to revenues as well as recyclability of the waste

hGears' production sites are certified according to IATF 16949 (quality management) and ISO 14001 (environmental management). Environmental management helps us to plan and control our impact on the environment during the production and distribution of goods.

Our growth needs to be sustainable. A look at the ratio of emissions to revenues shows an increase in resource utilization in most areas (table 2).

One initiative with which we are significantly reducing the volume of waste is the plants for recycling metal residues in Schramberg and Padova. We have also been implementing dry manufacturing processes for years wherever possible. To the extent possible, we are switching from oils and lubricants to air for cooling the metals during cutting. This allows us to process the resulting residues for recycling in our plant in an energy-efficient manner.

Environmental management

We also pay close attention to environmental standards when selecting suppliers. In accordance with ISO 14001, we consider the environmental performance and practices of suppliers to make our supply chain as environmentally efficient as possible.

e-mobility is not possible without raw materials. A large share of the raw materials required for e-mobility components come from developing and emerging countries, and the sustainability of the supply chain is critical. As users of materials, such as graphite, tungsten, vanadium and cobalt, we are well aware of the sustainability risks in the supply chain. We are working to diversify suppliers to reduce our dependency and are also expanding stockpiling material to reduce the share of critical materials. Moreover, we are developing alternative materials to replace critical materials.

People

United in diversity

Our differences do not divide us, they enrich us. We believe in the individual as much as we believe in the team. With our positive view of mankind and our values, we create an environment for our employees in which they can develop and contribute to the company's success. Our employees in Italy, Germany, and China are united by a common company culture. We are also committed to human rights, diversity, and equal opportunities as well as occupational health and safety.

Enabling a healthy and safe working environment

Not only are our products and business models changing, so is the way we work. To enable and embrace this change, our employees need to be healthy, feel safe and be prepared to manage change. We believe in a corporate culture where people have equal opportunities regardless of nationality, gender, age, or faith. For us, "thinking about tomorrow today" implies offering employees opportunities and actively shaping their future. As a result, we as a team are prepared for all the challenges that await us.

Employee health and safety is a top priority for hGears. The company is committed to ensuring a safe, healthy, adequately

Dedicated to sustainability: Whatever we do, we do for tomorrow!

protected and productive work environment and to spread and consolidate a culture of safety. All employees are required to perform their tasks safely and promptly report any conditions that could pose a risk to health, safety or the environment. Regarding health and safety management systems, hGears obtained the ISO 45001-2018 certificate in December 2019 at its site in Padova. We also work on obtaining the ISO 45001-2018 certificate at our sites in Schramberg and Suzhou by 2024.

hGears has obtained the ISO 9001:2015 certificate for its quality management at all its business sites. The certificate was issued in March 2019 at its site in Schramberg and in July 2021 at its sites in Suzhou and Padova. Furthermore, hGears has a dedicated safety commission. Its main task is to develop, update, and implement safety standards and preventive measures to avoid workplace accidents. The safety commission supports and coordinates regular risk assessments, training courses, safety briefings and on-site inspections at the company's various sites. In addition, the safety commission also serves as an active forum for questions or issues related to the

topic of workplace safety. The commission's members regularly analyze the current status quo of hGears' health and safety activities and report on progress in this area to the CEO.

We work under strict hygiene standards so that our teams can feel safe at all times, including throughout the COVID-19 pandemic. Against the backdrop of the COVID-19 pandemic, hGears implemented a risk mitigation plan that included massive testing in case of a positive case at the plants, temperature and green pass control before entering the plant, internal reviews of canteen and shift management, as well as coffee break regulation. We also set up a COVID-19 committee involving the unions. In our health and safety policy, which will be published on our website in the first half of 2022, we provide our employees with more detailed information regarding health and safety in the workplace.

Achieving our goals as a team

In 2021, an average of 871 permanent employees were on the payroll; this represents an increase of 8 people compared to the previous year (2020: 863; 2019: 883). In the period under review, 315 permanent employees were on the payroll in Schramberg, 296 in Padova, and 260 in Suzhou (2020: 328/321/214; 2019: 328/331/224). 21.4% of our permanent employees were women in 2021 (2020: 23.8%; 2019: 23.0%). In light of the fact that diversity is one of our core values, we are striving to increase the share of women among our employees in general and at the first and second management level. In Schramberg, 13.0% of the managers at the first and second management level were female in 2021, compared to 12.8% in 2020 and 8.7% in 2019. For Suzhou, this number was at 28.0% in 2021, up from 25.0% in both 2020 and 2019. In Padova, the share of women at the first and second management level was at 12.5% in 2021 (2020: 13.3%; 2019: 13.3%).

| | Average permanent employees | Number of employees in Schramberg | Number of employees in Padova | Number of employees in Suzhou | Total nationalities within hGears |
|------|-----------------------------|-----------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| 2019 | 883 | 328 | 331 | 224 | 23 |
| 2020 | 863 | 328 | 321 | 214 | 23 |
| 2021 | 871 | 315 | 296 | 260 | 26 |

Table 4: Number of total average permanent employees, also split up to show the different sites.

| | Percentage of female employees [%] | Females at the first and second management levels [%] | | |
|------|------------------------------------|---|--------|--------|
| | | Schramberg | Padova | Suzhou |
| 2019 | 23.0 | 8.7 | 13.3 | 25.0 |
| 2020 | 23.9 | 12.8 | 13.3 | 25.0 |
| 2021 | 21.5 | 13.0 | 12.5 | 28.0 |

Table 5: Percentage of female employees and percentage of women at the management level

| | Number of new employees | Share of women in hired employees [%] | Turnover rate [%] |
|------|-------------------------|---------------------------------------|-------------------|
| 2019 | 211 | 13.3 | 5.0 |
| 2020 | 217 | 18.4 | 3.4 |
| 2021 | 255 | 30.6 | 5.1 |

Table 6: Number of new employees, share of hired women and turnover rate

hGears hired a total of 255 new employees in 2021, 78 women and 177 men, at its three business locations (2020: 217 in total, 40 women and 177 men; 2019: 211 in total, 28 women and 183 men). The share of women that were hired has increased steadily over the past three years, from 13.3% in 2019 to 18.4% in 2020 and 30.6% in 2021. Our company-wide turnover rate was at 5.1% in 2021, compared to 3.4% in 2020 and 5.0% in 2019.

Our employees receive a competitive salary in line with the market. Remuneration is based on position, responsibility and tasks, not on personal characteristics such as gender or origin.

In addition to the fixed base salary, variable, performance-related salary components are intended to incentivize motivation. The level of compensation is reviewed regularly and adjusted, if necessary, as part of personal development discussions. To ensure fair compensation, we use a salary benchmark tool.

With our sites in three different countries, hGears is internationally positioned. We also want to live internationality through a diverse workforce. In 2021, we had employees with more than 26 different nationalities, compared to 23 in both 2020 and 2019. Our work culture enables equal opportunities

Passion for growth: Development is in our DNA!

regardless of gender, age, origin, sexual orientation, disability, or other discriminatory characteristics. We educate our employees about the issues of diversity and inclusion to simultaneously reduce prejudice and build intercultural awareness. More information for employees can be found in our diversity and opportunity policy, which will be published on our website in the first half of 2022.

In order to make work in our factories more attractive and accessible to women in particular, we have launched several initiatives in recent years. For example, we have purchased machines to help with the lifting of heavy objects, which also makes this work possible for women.

Our entire recruitment process is non-discriminatory and diversity-oriented.

Enabling progress through training

hGears focuses on dedicated training specifically developed for young workers who are entering the job market. This provides them with the opportunity to develop technical skills and become skilled workers. In 2022, we launched a leadership

training program for managers and key personnel, especially between Italy and Germany. In Italy, Germany, and China, hGears collaborates with Enactus, an international organization that promotes the next generation of young entrepreneurs, and pays particular attention to social and environmental issues with regard to several projects. For example, hGears supported the Italian National Competition and also participated as a judge in the German National Competition held by Enactus.

Through practice-oriented training, we want to satisfy the increasingly demanding markets and meet the more complex requirements in terms of technology and innovation. We established the “Lean Academy” to train our employees in “5S”, a basic method for safe, clean, and efficient workplace practices. As part of our equal opportunities and diversity approach, we focus on training all of our employees. We were able to increase the average training hours per employee to 22.4 in 2021 compared to 15.3 in 2020, when the number dropped due to COVID-19. We also provided 22.4 training hours per employee in 2019. The average cost of training company-wide was EUR 747 per employee in 2021 (2020: EUR 518 per employee; 2019: EUR 534 per employee).

Compliance with social & environmental standards in the supply chain

Our supply chain mainly includes companies that deliver cut metal and powder metal. With the Modern Slavery and Human Trafficking Statement, hGears has an up-to-date anti-slavery policy within the company and regularly reviews suppliers for reliability and compliance. To ensure that our suppliers comply with minimum labor standards and are not involved in child labor or slavery, we ask them to confirm that they do not employ anyone under the age of 16. More detailed information on our approach to freedom of association, modern slavery and

child labor as well as the respective due-diligence process can be found in the Code of Ethics on our website.

Human Rights

At hGears, we recognize our responsibility to respect and promote universal human rights. We consider respect for universal human rights as our duty and as a fundamental contribution of our company to society. At the same time, we believe that respect for human rights and the promotion of a respectful corporate culture contribute significantly to the sustainable success of our company and help to mitigate corporate risks. We strive not to exploit employees, but to let them grow into valuable members of our company through mutual respect and appreciation. This applies to all of our subsidiaries, our corporate sites, and generally wherever hGears operates – even beyond the laws that apply there. In our Code of Ethics which can be found on our website, we provide more detailed information on our approach to human rights as well as the respective due diligence process.

EU-TAXONOMY

The aim of the EU Taxonomy is to encourage investment flows to companies engaged in environmentally sustainable activities. In this way, the EU Taxonomy is intended to assist in the implementation of the European Green Deal. The first environmental targets “Climate Change Mitigation” and “Climate Change Adaptation” were deposited with criteria in the EU legislation in mid-2021.

The reporting obligation pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council requires the disclosure of the share of our revenue, capital expenditures and operating expenses that are taxonomy-eligible for financial year 2021. Taxonomy-eligible refers to the environmental objectives of “climate protection” and “adaptation to climate change” currently being developed in the EU Taxonomy. Activities of hGears that are not currently covered by the EU Taxonomy are reported on a flat rate basis as not taxonomy-eligible. Starting in reporting year 2022, we will also report which sum and which share of our economic activities are taxonomy-aligned.

In order to assess the eligibility for the Taxonomy, we first reviewed all of our activities. In accordance with Commission Delegated Regulation (EU) 2021/2139, we have identified the following activities to which hGears contributes:

- Manufacture of other low-carbon technologies
- Manufacture of low carbon technologies for transport

The Delegated Act on the implementation of reporting requirements did not enter into effect until December 2021. Only since this date is it clear what information must be

published within the framework of the EU Taxonomy. And since hGears had gone public only a few months earlier in May 2021, we had little time to establish the complex structures that need to be put in place to record taxonomy-eligible economic activities in our sub-framework. However, since we find the regulations of the EU Taxonomy useful and support them with our full conviction, we have endeavored to present approximate values, initially for the area of e-bikes.

The activities in the e-bike area have been classified as eligible because we are developing solutions for the emission-free mobility of the future. We thus make a direct contribution to the “Manufacture of low carbon technologies for transport.”

From 2023 on, we will also successively evaluate the areas e-Tools and EHVs and present corresponding figures that document our high commitment and our willingness to perform in the area of sustainability.

The assessment of our revenue on taxonomy eligibility was based on the revenues defined and reported in the Consolidated Financial Statements of hGears AG. For the year 2021, we only take the revenue of our e-bike activities into account. Based on this consideration, the share of taxonomy-eligible revenues in 2021 was 31.8% of total revenue. For the

Integrity matters: We are honest and transparent!

reporting period, only the investments (CAPEX) made for the e-bike activities are regarded as taxonomy-eligible, i.e. the share of taxonomy-eligible investments in the total investments reported in the Consolidated Financial Statements amounted to 35.4%. Operating expenses include non-capitalized research and development costs, which are not reported in this form in the Consolidated Financial Statements. Since our new projects almost exclusively concern products that support environmental protection and sustainability, we consider our research and development costs (OPEX) to be taxonomy eligible. Thus, taxonomy-eligible operating expenses in 2021 amount to 2.8% of total operating expenses.

| | Total | Taxonomy-eligible million | [%] | Not taxonomy-eligible [EUR million] | [%] |
|---------------------|-------|---------------------------|------|-------------------------------------|------|
| Revenue | 134.9 | 42.9 | 31.8 | 92.0 | 68.2 |
| Capital expenditure | 14.7 | 5.2 | 35.4 | 9.5 | 64.6 |
| Operating expenses | 57.3 | 1.6 | 2.8 | 55.7 | 97.2 |

Table 7: Revenue, capital expenditures and operating expenses in 2021

IMPRINT

Disclaimer

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the Management Board and the information available at the time this financial report was prepared. They are not guarantees of future performance and results and are subject to risks and uncertainties that are beyond hGear's ability to control or predict, such as future market conditions, regulatory changes or the behaviour of other market participants, for instance. These and other factors can cause the actual results, performance and financial position to deviate significantly from the estimates stated herein. hGears does not assume any obligation to update the forward-looking statements contained in this report. Certain numerical data, financial information and market data, including percentages, in this document have been rounded according to established commercial standards. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. In the event of any deviations, the German version takes precedence. When persons are mentioned in this publication, this always refers to female, male and diverse (for example transsexual and intersexual) persons. For reasons of better readability and/or formal or technical reasons such as limited space or the better findability of web texts, not all variants are always mentioned.

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