



# CORPORATE RESPONSIBILITY REPORT

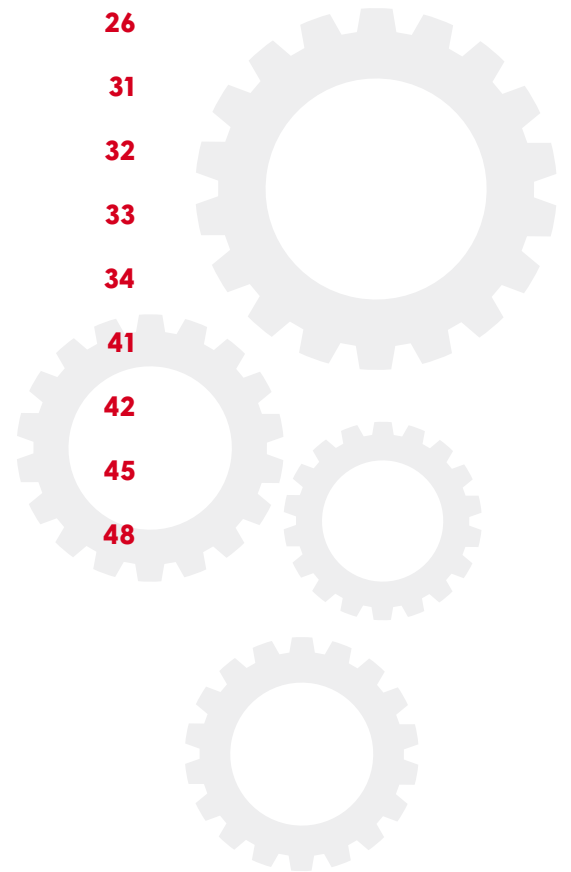
2025

**h**Gears

the **heart** of your  
performance

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# 1. SUSTAINABILITY AND REPORTING AT HGEARS

## 1.1 Basis

hGears' non-financial group statement for the 2025 fiscal year was prepared in accordance with the requirements set forth in Sections 315b and 315c, in conjunction with Sections 289b through e, of the German Commercial Code (HGB) and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation).

The statement contains the information required under the CSR Directive Implementation Act regarding material environmental, labour, and social issues, respect for human rights, and the fight against corruption and bribery. Reporting on other material topics is based on their materiality to hGears.

Furthermore, the statement has been prepared in accordance with the European Union's (EU) Corporate Sustainability Reporting Directive (EU) 2022/2464, even though this directive is currently being revised by the EU at the time of reporting and the original version has not been transposed into German law. hGears has chosen this approach to enable better comparability with the previous year's sustainability report.

The non-financial group statement also reports on material risks in accordance with Section 289c (3) Nos. 3 and 4 of the German Commercial Code (HGB), provided that the disclosures are necessary for understanding the course of business, the business results, the situation of the Group and the companies, as well as the effects of their activities on non-financial metrics.

hGears is committed to transparency toward its stakeholders and reports on material topics and sustainability-related aspects of its business and the corporate environment. In doing so, hGears aligns its reporting with the criteria of the Global Reporting Initiative (GRI). At the same time, the framework of the previous European reporting standards (ESRS) pursuant to Regulation (EU) 2023/2772 was also applied. The hGears Sustainability Report describes all activities and developments in the 2025 fiscal year (reporting year).

This Group Statement was reviewed by the Supervisory Board for legality, regularity, and appropriateness in accordance with Section 171(1), Sentence 4 of the German Stock Corporation Act (AktG). In accordance with Section 317(2), Sentence 4 of the German Commercial Code (HGB), it was submitted to the auditor but was not subject to a substantive review.

## 1.2 Key data on the non-financial statement

The hGears Sustainability Report describes all activities and developments in the respective fiscal year and covers hGears AG as well as the affiliated companies pursuant to Section 15 of the German Stock Corporation Act (AktG) (hereinafter referred to as "hGears"). The reporting scope corresponds to the scope of consolidation of the consolidated financial statements.

The sustainability report does not cover the upstream and downstream value chain in a general or comprehensive manner, but rather selectively where sufficient data is available; this is noted in the relevant sections. Sources and quality of data regarding the value chain are noted in the respective sections. Any temporary omissions are noted in the sections where the topic is addressed.

As part of the materiality analysis, no sustainability topics or aspects were identified as material in relation to which confidential information is relevant; accordingly, no omissions of this nature were necessary in this sustainability report.

hGears has not made any significant changes to the methodology compared to previous sustainability statements, ensuring comparability with past publications. No significant errors in previous reports had to be corrected in the 2025 Sustainability Report. However, hGears continuously works to expand and improve data and information collection for the analysis of its operating business. This continuously improves the quality of the data. As a result, some figures were adjusted, which improved their meaning but did not change it.

The Sustainability Report does not include any information based on estimated data from indirect sources. hGears does not publish quantitative information subject to a high degree of measurement uncertainty.

Likewise, no data or information subject to a high degree of uncertainty is disclosed.

Note: For the sake of readability, this report does not use gender-specific language; instead, it uses a gender-neutral form that includes all genders.

### Non-Financial Statement in accordance with the requirements of the German Commercial Code (HGB)

Non-financial aspect	HGB	Key Areas of Activity	Chapter
<b>Environmental issues</b>	Section 289c (2) No. 1	Energy consumption	3
		Greenhouse gas emissions	3
		Water use	5
		Waste	7
<b>Employee matters</b>	Section 289c (2) No. 2	Working conditions	8
<b>Social matters</b>	Section 289c (2) No. 3	Working conditions in the value chain	9
		Information and Safety of Customers and End Users	11
<b>Respect for human rights</b>	Section 289c (2) No. 4	Not formally a material area of activity for hGears under the CSR Directive Implementation Act	(8/9)
<b>Combating corruption and bribery</b>	Section 289c (2) No. 5	Corporate culture	12
		Whistleblower protection	12
		Supplier Management	12
		Corruption and Bribery / Compliance	12

### 1.3 Performance and Control Indicators

Pursuant to Section 289c (3) No. 5 of the German Commercial Code (HGB), there are no non-financial performance indicators that are of material significance to hGears' business activities. hGears is currently managed primarily using financial metrics and performance indicators. There is no direct relationship between the amounts reported in the consolidated financial statements of hGears AG pursuant to Section 289c (3) No. 6 HGB and the five non-financial aspects pursuant to Section 289c (2) Nos. 1 through 5 HGB.

### 1.4 Role of the Administrative, Management, and Supervisory Bodies

hGears is a stock corporation under German law and is subject to the provisions of the German Stock Corporation Act (AktG), on the basis of which the German Corporate Governance Code was also developed. A fundamental principle of German stock corporation law is the dual management system with the Management Board and the Supervisory Board. Under this system, the Management Board manages the Company, while the Supervisory Board advises and monitors the Management Board. Simultaneous membership in both bodies is not permitted.

The Management Board manages the Company on its own responsibility and in the Company's best interests with the aim of creating sustainable value. This includes taking into account the interests of shareholders, employees, and other groups associated with the Company (stakeholders). The members of the Management Board share responsibility for the management of the Company. The Management Board conducts business in accordance with statutory provisions, the Articles of Association, the Rules of Procedure, and the Division of Responsibilities.

In the reporting year and at the turn of the year 2025/2026, the Management Board consisted of two members with the following division of responsibilities (the Management Board members are jointly responsible for the Business Development and Human Resources divisions):

- **Sven Arend, Chairman of the Management Board (CEO):** Sales, Operations, Engineering. Sven Arend was born in 1967. He completed his studies in economics at the University of Wales College Cardiff in the United Kingdom. In 1991, he began his career at ThyssenKrupp as a trainee, held various management positions in Germany and worldwide, and ultimately served as a member of the Management Board in CSO roles (2003 to 2009). He then moved to Berco SpA in Italy, where he served as CSO (2009 – 2013) and CEO (2014 – 2017). From 2018 to 2022, he was CEO of the Brink Group in the Netherlands. On 1 February 2023, Sven Arend joined hGears AG as Chief Executive Officer (CEO).
- **Daniel Basok, Chief Financial Officer (CFO):** Finance & Controlling, Human Resources, Procurement, ICT, Investor Relations, Risk & Compliance. Daniel Basok was born in 1982. After studying economics and accounting at the University of Haifa, Israel, Mr. Basok obtained his professional certification as a Certified Public Accountant (CPA) from the Ministry of Justice in Jerusalem, Israel. Mr. Basok began his professional career in 2007 at Schwartz, Lerner, Duvshani & Co. in Israel, where he served as Senior Assurance Manager. From 2010 to 2012, Mr. Basok worked as Finance Director at Zohar Dalia Cooperative Agricultural Association Ltd. in Israel. In 2013, Mr. Basok moved to Germany, where he worked as a Corporate Accountant at NDT Global GmbH & Co. KG. In September 2016, Mr. Basok joined hGears Holding GmbH, first as Head of Accounting and later as Group Finance Director. In June 2020, Mr. Basok became Chief Financial Officer of hGears.

The Management Board of hGears consists entirely of male members. The Supervisory Board is composed of 80 % male members and 20% female members. The Supervisory Board consists exclusively of independent members.

hGears employs a Group Head of Risk & Compliance who monitors and evaluates the potential impact of risks and opportunities and reports to the Management Board and, where appropriate, to the Supervisory Board. The Group Head of Risk & Compliance is also responsible for governance issues within the Company's ESG Committee and, in this capacity, reports to the Management Board, which steers and monitors these issues. In addition, hGears has established a whistleblower tool that is accessible to all employees. Implementation measures and progress toward achieving targets are monitored by the Management Board.

The Management Board of hGears AG generally possesses sustainability-related expertise. The Head of ESG at hGears has expertise in the field of sustainability. For specific or particularly complex sustainability issues, the Management Board draws on external expertise to ensure the appropriate capabilities and necessary expertise for monitoring all relevant and material sustainability issues.

### Technical Competencies of the Management Board

	Sven Arend	Daniel Basok
Corporate governance and control	✓	
International experience	✓	✓
IT / Digitalization		✓
Sustainability	✓	✓
Transformation	✓	✓
Purchasing / Production / Sales / R&D	✓	
Finance and Capital Markets		✓
Risk Management		✓
Legal / Compliance	✓	✓
Human Resources	✓	✓
Business Unit / Sector Knowledge	✓	✓

### 1.5 Sustainability Organization

hGears has an ESG (Environmental, Social, Governance) Committee that coordinates and decides on key sustainability activities and measures within the Company. At the time of publication of this report, the

committee comprised five members who advise and support the Chief Executive Officer (CEO) in implementing all activities related to achieving sustainability goals, environmental protection, good corporate governance, and social responsibility. Members of the ESG Committee at the time of publication of this report were:

- **Sven Arend**, Chief Executive Officer (CEO), Chair
- **Daniel Basok**, Chief Financial Officer (CFO), Vice Chair
- **Christian Weiz**, Head of Investor Relations & ESG
- **Isabell Hipp**, Group Human Resources Director
- **Frank Elsebrock**, Group Risk & Compliance Manager

The CEO and CFO are responsible for implementing hGears' sustainability strategy. The Supervisory Board evaluates the Company's sustainability objectives and monitors the implementation of the corresponding measures. The Management Board receives regular, timely, and comprehensive updates from the Head of ESG and the members of the ESG Committee regarding current developments in the Company's sustainability performance. The ESG Committee sets corresponding goals and develops ESG-related strategies.

The ESG Committee provides information on a regular basis and, in important cases, as events warrant. This applies to both actual impacts on the environment and the Company, as well as potential impacts in the form of opportunities and risks. Major sustainability initiatives at hGears are supported by project teams that report on progress to the Chair of the ESG Committee, thereby indirectly informing the Management Board and Supervisory Board as well. In addition, the Management Board reports on ESG topics and related projects during the regular Supervisory Board meetings.

In 2024, hGears established a compensation system that incorporates sustainability goals; the Annual General Meeting approved this system. Thus, 25 percent of the short-term variable compensation (STI bonus) for members of the Management Board and several senior employees depends on the achievement of so-called ESG KPIs. The underlying KPIs relate to energy consumption, recycling rate, Lost Time Accident Rate (LTAR), sick leave rate, and training hours. Details on the compensation system and the compensation reports can be viewed at the following link: <https://ir.hgears.com/de/corporate-governance/verguetungsberichte/>.

## 2. GENERAL INFORMATION

### 2.1 History and Locations

hGears' corporate history dates back to 1958. As a result, hGears has nearly 70 years of experience in metal machining and sintering technology, as well as extensive expertise in both state-of-the-art processes.

With its three production sites in Schramberg (Germany), Padua (Italy), and Suzhou (China), hGears is able to offer customers worldwide both machining and sintering technology.

### 2.2 Business Model and Products

hGears divides its business into three business areas. The **e-Bike** business area focuses on the manufacture of high-precision, function-critical components (such as crankshafts and gears) for electric drives in e-bikes and micromobility solutions. This business area offers both development services and development partnerships. It also utilizes simulation capabilities to help customers reduce weight and optimize noise and vibration levels.

The **[e]-Mobility** business unit supplies the automotive industry with high-precision and function-critical parts and systems for electric vehicles, hybrid vehicles, and vehicles with internal combustion engines in the premium, sports, and luxury segments, as well as in the powersports segment. hGears engineers support the development and co-development process and help optimize noise, vibration, and the service life of the systems.

The **e-Tools** business unit primarily manufactures components for the drive systems of power tools and garden equipment. This includes the production of high-precision components used in the part of the transmission

that connects the electric motor to the actual tool (such as cutting and trimming tools). In addition, the business area manufactures gearboxes for various industrial applications, such as roller shutters and systems for heating, ventilation, and air conditioning.

hGears meets high quality standards and holds extensive quality and management certifications, which is increasingly proving to be a competitive advantage. In the reporting year, all three plants were certified to ISO 14001, ISO 45001, and IATF 16949. In addition, TISAX certifications are in place in Germany and Italy, as well as an ISO 50001 certification in Germany. The implementation and maintenance of these certified management systems are part of hGears' systematic approach to managing material ESG issues.

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#### Industry Classification:

According to the European classification of economic activities, hGears' revenue primarily falls under the category "Manufacturing and Processing: Metalworking" with the classification code "MMP." In terms of environmental impact, hGears is also associated with the classes "Manufacturing and processing: Motor vehicles" with the code "MMV," "Manufacturing and processing: Machinery and equipment" with the code "MME," and "Manufacturing and processing: Electronics and electrical equipment" with the code "MEL."

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### 2.3 Value chain

Suppliers, as business partners in the upstream value chain, are primarily metal manufacturers or metal traders. The primary focus is on ensuring material availability while optimizing costs. The intermediate products and raw materials required by hGears are predominantly high-quality steel alloys and metal powders for the sintering process. These materials ensure the durability, efficiency, and performance of the manufactured components. In addition, significant quantities of oils and lubricants are required for the production process. hGears sources these goods from numerous manufacturers and suppliers, so there is no significant procurement risk. hGears has not experienced any production-impacting supply bottlenecks in the past.

Within the value chain, hGears operates as either a Tier 1 or Tier 2 supplier. As a Tier 1 supplier, hGears manufactures and delivers its products directly to original equipment manufacturers (OEMs), primarily in the power tool and garden equipment industries. As a Tier 2 supplier, hGears manufactures components for manufacturers who, in turn, develop systems for integration into end products (for example, for e-bikes and EHV). Many of hGears' customers are among the leading companies in their respective industries; the Company benefits from these long-standing, stable, and sustainable customer relationships. For instance, hGears has been serving many of its key customers for over 15 years.

hGears intends to consistently offer products that are, in terms of material composition and properties, as recyclable as possible and relatively easy to recycle. This goal has already been largely achieved today. Further improvements are possible, among other things, through standardized alloys. In addition, hGears intends to have at least 98% of the waste generated in production reprocessed or recycled by external entities by the year 2040. hGears regularly achieves recycling rates between 80% and 90% (see also [Section 7.1](#)); metals can be recycled almost entirely.

hGears has already achieved a high degree of target attainment with regard to product- and production-related goals—energy efficiency and emissions intensity along the value chain as well as the circular economy. The following factors, among others, contribute to this: **(1)** the increasing use of emission-free energy, **(2)** contributions to sustainable e-mobility, **(3)** the longevity of the products, **(4)** the high recyclability of the materials used, **(5)** the reparability of machine components through the interchangeability of individual parts, and **(6)** close development collaboration with customers for the continuous, sustainable improvement of products.

hGears' products help improve the performance, reliability, and service life of end products for customers in the downstream value chain, particularly in the areas of e-mobility (automobile manufacturers, automotive suppliers), industrial applications, and e-bikes. hGears supports the global energy transition by manufacturing components for climate-friendly drives and systems, which has a positive impact on the environment and society. Through its core competencies in the manufacture of complex precision components and assemblies, hGears enables its customers to develop innovative, sustainable solutions.

## 2.4 Risk Management and Internal Controls for Sustainability Reporting

### Regulatory Framework for Risk Management

hGears maintains a Group-wide risk management system (RMS) and an internal control system (ICS), which are integral components of corporate governance and Group management. The legal basis stems in particular from the general management, organizational, and monitoring obligations under Sections 76, 93, and 111 et seq. of the German Stock Corporation Act (AktG). These obligations require the Management Board and Supervisory Board to ensure an appropriate corporate structure and to identify and manage risks to the Company's economic development at an early stage.

Pursuant to Section 91(2) of the German Stock Corporation Act (AktG), the Management Board is obligated to establish a monitoring system that identifies developments threatening the Company's existence at an early stage. This obligation was further specified by the Act on Strengthening Financial Market Integrity (FISG). Under Section 91(3) of the German Stock Corporation Act (AktG), listed companies must have an appropriate and effective risk management system as well as an internal control system. In addition, Section 107(4) of the German Stock Corporation Act (AktG) strengthened the role of the audit committee, which monitors the effectiveness of these systems in particular. Business decisions are made in accordance with the business judgment rule pursuant to Section 93(1), sentence 2 of the German Stock Corporation Act (AktG).

In addition, hGears adheres to the recommendations of the German Corporate Governance Code (DCGK). This code is legally binding under Section 161 of the German Stock Corporation Act (AktG) ("comply or explain") and specifies requirements for transparent and responsible corporate governance. The audit of the early risk detection system is conducted in accordance with Auditing Standard IDW PS 340 (as amended), which specifies the requirements for auditing such a system pursuant to Section 91(2) of the German Stock Corporation Act (AktG). In addition, hGears' risk management system was subjected to an audit in accordance with DIIR RS No. 2 during the reporting period. This standard specifies the requirements for the internal audit of a risk management system as well as the assessment of its adequacy, implementation, and effectiveness.

### Organizational Structure of the Risk Management System

hGears' risk management system is based on the interaction of various organizational levels and follows a decentralized approach. Risks are identified, analyzed, and managed within the operational units and global functions and reported to the Group Head of Risk & Compliance.

The following roles are defined in hGears' risk management:

- **Supervisory Board:** The Supervisory Board monitors the effectiveness of the risk management system. It regularly receives the risk report, the annual risk aggregation, and, where applicable, ad hoc reports on significant risk developments.
- **Management Board / CFO:** The Management Board bears overall responsibility for the risk management system. In line with a "tone-from-the-top" approach, the Management Board approves and reviews the risk policy and the risk management manual once a year. The CFO serves as Chair of the Risk Management Committee and reports to the Management Board and Supervisory Board in accordance with the risk policy guidelines.
- **Group Head of Risk & Compliance:** The Group Risk & Compliance Manager is responsible for the development, implementation, and continuous improvement of the risk management system as well as the underlying methodology and processes. He reports to the CFO on relevant changes in the risk landscape at least once a year.
- **Risk Manager:** Risk Managers support the Risk Owners in identifying and assessing potential risks, as well as in conducting risk analysis and documentation.
- **Risk Owner:** Risk Owners are responsible for identifying, assessing, and managing risks within their area of responsibility. Risks with a total net loss of EUR 0.25 million or more are recorded in the risk management system. New or significantly increased risks of EUR 0.5 million or more are subject to internal ad hoc reporting.

### Risk Management System Processes

To identify and manage risks, hGears follows a top-down/bottom-up approach.

In the bottom-up approach, risk owners at the plant or functional level identify potential risks within their areas of responsibility. Together with the respective risk managers, these risks are described, assessed, and documented.

In the top-down approach, the identification of a risk can also be initiated by a Group Risk Owner. The assessment and documentation are then carried out at the plant level by the local risk owners and risk managers.

The reported risks are validated during Risk Review Meetings or meetings of the Risk Management Committee. Identified risks are assessed based on their probability of occurrence and their potential impact on the Company's financial position, financial performance, and earnings. To assess the overall risk position, hGears performs risk aggregation several times a year. Quantitative methods such as Monte Carlo simulations are used for this purpose. On this basis, the Group's potential overall risk positions are analyzed, including potential ESG-related risks.

One of the objectives of risk management is to support business decisions through structured risk assessments. Based on the analysis of the assessed risks, appropriate risk management measures are defined and prioritized. In principle, four courses of action are available: **(1)** avoiding risks, **(2)** reducing or limiting risks, **(3)** transferring risks (e. g., through insurance or contract design), and **(4)** accepting risks.

### Consideration of ESG Risks

Selected ESG-related risks are also considered within the framework of the risk management system. These include, among other things, regulatory developments in the area of greenhouse gas emissions, potential water shortages at production sites, risks along the supply chain, and quality-related risks in the production process.

A detailed description of material risks and their potential impact on the Company's financial position is provided in the Opportunities and Risks Report in hGears' Annual Report.

### Key ESG Risks and Mitigation Measures

Risks	Mitigation measures
New regulatory requirements regarding greenhouse gas emissions may increase the cost of energy use.	Increased use of emission-free energy, particularly through our own generation facilities, as well as measures to improve energy efficiency.
High demand for fresh water could lead to water shortages in the vicinity of the sites.	Adaptation of manufacturing processes to reduce water consumption or use of alternative methods.
Inadequate labeling of raw materials by suppliers can lead to critical materials being identified at a later stage.	Expanded analysis of the upstream value chain and greater transparency regarding production conditions and material compositions.
Rising complaint rates could damage the hGears brand's reputation and incur additional costs.	Optimization of production processes, intensification of employee training, and measures to improve quality control.

The current assessment by risk owners for the 2025 fiscal year shows that potential environmental and sustainability risks fall below the established action threshold of EUR 250,000. As a result, these risks are not currently included in the risk inventory and are not subject to separate reporting requirements under the risk management system.

## 2.5 Stakeholder Engagement

hGears maintains regular and ad hoc communication with key stakeholder groups. The goal is to inform them about relevant developments while also gathering feedback, requests, and suggestions that are incorporated into product development and business processes.

**Customers:** The hGears sales team maintains regular contact with employees at customer companies. Members of the development department meet with customers at trade shows and industry events to discuss, among other things, current needs and requests regarding future product generations. The hGears Management Board meets with the management (executives) of customer companies several times a year. Customers expect innovative, precise, and sustainable solutions that meet their requirements for efficiency, quality, and performance. Particularly in the field of e-mobility, customers seek long-term partnerships that offer flexibility and technological expertise. hGears' focus on growth markets and its ability to co-develop new products reflect these needs.

**Employees/Works Council:** During regular staff and company-wide meetings ("town hall meetings"), hGears management informs the workforce about current developments within the Company and in the respective markets. Employees can ask questions or share comments. In addition, management conducts regular employee reviews, including 360-degree feedback. Regular discussions also take place between company management and works council representatives. This is complemented by an intensive exchange of information between the Company's various departments.

**Investors:** The Investor Relations department maintains ongoing dialogue with shareholders regarding investors' return and risk expectations, as well as current and potential financing terms. This communication takes place regularly and frequently via individual video conferences, webcasts, and investor conferences. The content of these discussions is recorded in a CRM (Customer Relationship Management) system. Investors place particular emphasis on the Company's long-term perspective, sustainability, and competitiveness. They expect a clear growth strategy focused on future markets and a sustainable business orientation. hGears' commitment to sustainable processes and technologies, as well as its position in growth sectors such as e-mobility, underscore its strategic potential.

**Cities, municipalities, and residents near production sites:** hGears maintains an open dialogue with local representatives and politicians, particularly regarding regulatory requirements and environmental standards related to its business operations. Municipal guidelines are implemented accordingly. Direct, regular communication with immediate neighbors is limited, as they are predominantly other industrial companies. Nevertheless, hGears values responsible neighborly relations. For example, an automated defibrillator for the immediate treatment of cardiac arrests was installed at the Schramberg site, which is accessible to the neighborhood at all times. In addition, hGears participates in discussion forums as part of its collaboration with business associations such as Confindustria Veneto-Est (an association representing manufacturing and service companies) or with the Schwarzwald-Baar-Heuberg Chamber of Industry and Commerce.

**Suppliers:** hGears' purchasing department maintains regular communication with suppliers. Ad hoc discussions also take place with logistics companies, for example when transport routes need to be adjusted. Suppliers expect a reliable and collaborative partnership based on transparency, fairness, and long-term planning. hGears' strategy of fostering close relationships with qualified suppliers supports the stability of the supply chain.

## 2.6 Individual Materiality of Sustainability Aspects

The selection and weighting of topics in the consolidated non-financial statement are guided by the principle of materiality. With regard to identifying material topics, at the end of 2025 hGears carefully reviewed the results of the comprehensive double materiality analysis—conducted for the first time in 2024—to ensure they remained current. No changes were identified compared to the previous period. Significant impacts resulting from hGears' materiality assessment are:

- **Energy consumption:** hGears' energy consumption entails the use of significant quantities of fossil fuels. Depending on market price trends, substantial sums of money must be spent in this context. As CO<sub>2</sub> taxes rise, expenses also increase.

- **Climate Change:** The manufacturing of hGears products generates greenhouse gas (GHG) emissions. These emissions primarily result from the generation of heat (sintering process, steel hardening), electricity production for machine operation, and the operation of the vehicle fleet.
- **Circular Economy:** hGears' products are generally highly recyclable. Waste from production can be recycled to a large extent (see also [Section 7.1](#)). Further improving the products in this regard—for example, by making them easier to disassemble from assemblies, as well as through secondary use or reprocessing—therefore represents a key sustainability aspect for hGears.
- **Own Employees:** The decline in customer demand from 2023 to 2025 also affected hGears' workforce, which decreased accordingly during that period. With the economy recovering, hGears does not anticipate any difficulties in recruiting qualified personnel.
- **Customers and End Users:** Demand for hGears' products depends, on the one hand, on macroeconomic trends and, on the other hand, on shifts in end-user preferences and developments in consumer end markets.
- **Corporate Governance:** A sustainability policy that fosters identity, purpose, and appreciation is a high priority for hGears. A corporate culture that explicitly incorporates sustainability aspects generally leads to higher employee motivation and a high degree of resilience due to comprehensive compliance management and an effective risk management system.

The current impacts, risks, and opportunities at hGears do not fundamentally conflict with the business model, corporate goals, and business strategy. In this scenario, impacts, risks, and opportunities sometimes lead to changes in measures to align business activities with stakeholder interests:

- **Energy demand:** Energy prices, particularly for fossil fuels, can exhibit significant price fluctuations and, in an unfavorable scenario, negatively impact hGears' earnings. However, the Company is largely protected by pass-through clauses, and management would immediately seek to offset higher costs not covered by such clauses through price increases.
- **Climate Change:** Government levies on greenhouse gas emissions may continue to rise and, in an unfavorable scenario, weigh on hGears' operating results. Opportunities exist primarily in the procurement and in-house production of renewable energy without greenhouse gas emissions.
- **Circular economy:** The willingness and efforts of end users or the contribution of customers to improving the circular economy may wane, preventing hGears' products from fully leveraging their relevant qualities.
- **Employees:** In response to the recent decline in customer demand, hGears has had to make corresponding adjustments to its capacity. Throughout this process, the Company has consistently prioritized intensive employee support and accompanied changes in employment relationships with measures designed to support . Employees are a key stakeholder group for hGears. Motivation and performance are essential factors for the successful business development of hGears. Management always listens to suggestions, requests, or criticism from employees and takes them into account when making business decisions. In principle, hGears strives to continuously improve working conditions for its workforce.
- **Customers and end users:** hGears strives to intensify and optimize co-development processes in order to continuously increase customer value.
- **Corporate Governance:** hGears continuously works to improve its corporate and sustainability culture to distinguish itself tangibly from competitors (positive work environment, employee satisfaction, and retention). A strong culture that emphasizes values such as collaboration and innovation leads to better team spirit and more creative solutions. It also strengthens the employer brand, positioning the Company as an attractive employer and ultimately increasing business success.

## Material/non-material sustainability topics

Standard	Topic	Significance
E1 Climate change	Adaptation	not significant
	Prevention	significant
	Energy	significant
E2 Pollution	Floor	not significant
	Air	not significant
	Water	not significant
	Pollution of organisms/nature	not significant
	Release of hazardous substances	not significant
	Release of particularly hazardous substances	not significant
	Release of microplastics	not significant
E3 Water / Ocean	Water use	significant
	Regional water withdrawal	significant
	Wastewater discharge	not significant
	Discharge of wastewater into the sea	not significant
	Impact on marine biodiversity	not significant
E4 Terrestrial biodiversity	Flora/Fauna	not significant
E5 Circular economy	Material requirements	significant
	Material output	significant
	Waste	significant
S1 Workforce	Working conditions	significant
	Equal treatment/equal opportunity	not essential
	Other labour rights	not significant
S2 External workforce	Working conditions	significant
	Equal treatment/equal opportunity	not significant
	Other labour rights	significant
S3 Affected communities	Socio-cultural rights	not significant
	Civil rights/political rights	not essential
	Rights of Indigenous Peoples	not significant
S4 Customers / Consumers	Information	material
	Safety	material
	Social Inclusion	not material
G1 Business conduct	Corporate culture	material
	Whistleblower protection	significant
	Animal welfare	not significant
	Political engagement/lobbying	not material
	Supplier management	significant
	Corruption and bribery	material

As part of its materiality analyses, hGears identifies the material actual and potential negative impacts on the environment. These negative impacts include both those associated with its own business activities (manufacturing) and those arising along the upstream and downstream value chain (purchasing of goods and product use). In the event of such impacts, hGears takes appropriate measures to mitigate, remedy, or eliminate them.

In these processes, hGears adheres to the United Nations Guiding Principles on Business and Human Rights, the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises (Organization for Economic Cooperation and Development).

hGears has identified a number of material aspects in relation to the topics covered by the European Sustainability Reporting Standard (ESRS) and the associated sustainability issues. Most of these impacts arise from the Company's own business activities. In the upstream value chain, energy and climate aspects, potential impacts on water quality, and working conditions are particularly relevant.

**Strength of double materiality**

<b>Sustainability aspect</b> <i>European Sustainability Reporting Standards (ESRS)</i>	<b>Materiality*</b> <b>Impact</b>	<b>Materiality*</b> <b>Financial</b>
<b>Environment</b>		
E1 Impacts of climate change	moderate	low
E1 Energy (energy consumption, energy intensity)	<b>substantial</b>	<b>substantial</b>
E1 Greenhouse gases (emissions, intensity)	<b>substantial</b>	<b>substantial</b>
E2 Pollution	low	low
E3 Water resources	<b>substantial</b>	moderate
E3 Marine resources	low	low
E4 Biodiversity and Ecosystems	low	low
E5 Resource Use and Circular Economy		
Material volume	<b>substantial</b>	<b>substantial</b>
Waste generation	<b>Substantial</b>	<b>substantial</b>
Recycling rate	<b>very high</b>	<b>substantial</b>
<b>Social/Society</b>		
S1 Working conditions of own workforce	<b>substantial</b>	<b>substantial</b>
S1 Equal treatment / equal opportunity for own workforce	moderate	moderate
S1 Other labour rights for own workforce	moderate	moderate
S2 Working conditions for external workforces	<b>substantial</b>	low
S2 Equal treatment / equal opportunities for foreign workforce	moderate	low
S2 Other labour rights for foreign workers	<b>substantial</b>	low
S3 Affected communities	low	low
S4 Customers and end users: Information	<b>substantial</b>	<b>substantial</b>
S4 Customers and end users: Safety	<b>substantial</b>	<b>substantial</b>
S4 Customers and end users: Social inclusion	moderate	low
<b>Corporate governance</b>		
G1 Corporate culture	<b>very high</b>	<b>very high</b>
G1 Whistleblower protection	<b>substantial</b>	<b>substantial</b>
G1 Animal welfare	low	low
G1 Political engagement / lobbying	low	low
G1 Supplier Management	<b>substantial</b>	<b>substantial</b>
G1 Corruption and bribery	<b>very high</b>	<b>very high</b>
Data protection / IT security	moderate	moderate

\* "low" and "moderate" = not material, "substantial" and "very high" = material

## 2.7 No model-inherent impacts and risks

As part of its materiality analysis, hGears has determined that material ESG impacts and ESG risks primarily result from operational business activities and developments in the sales markets. The business model, business objectives, and corporate strategy do not constitute independent drivers of these ESG impacts. Against this backdrop, no fundamental adjustments to the business model or corporate strategy are currently required to improve the Company's sustainability performance.

To date, ESG-related risks and ESG impacts have not had a material effect on hGears' corporate finances. Likewise, no adjustments to assets have been necessary to date due to relevant environmental or social developments. There are currently no indications that this will change significantly in the next reporting period.

To date, hGears has not identified any ESG impacts or ESG risks that the Company cannot manage. As part of the sustainability risk assessment, no ESG risk was classified as existential. Furthermore, no ESG impacts, ESG risks, or ESG opportunities were identified that go beyond the topics covered by the European Sustainability Reporting Standards (ESRS) and the corresponding mandatory disclosures.

## 2.8 Goals and Measures

hGears has defined targets for a range of (primarily material) sustainability aspects. Depending on the sustainability aspect, hGears initiates various measures. For example, to mitigate climate change, **(1)** the use of photovoltaics at the sites will be increased or **(2)** more green steel will be purchased gradually, following consultation or at the request of customers. To improve energy efficiency, **(3)** modern equipment/machinery should be purchased as new or as replacements, or **(4)** leaks/losses in the generation and use of compressed air should be prevented. Similar effects are achieved by **(5)** reducing the interior temperature of buildings or **(6)** installing energy meters to monitor the effectiveness of energy efficiency measures. To improve the circular economy, **(7)** oils used for cooling or improving processing in production processes are separated, collected separately, and sent for recycling via specialized service providers. **(8)** Metal shavings are sent for recycling by melting them down. **(9)** Damaged wooden pallets are not disposed of or shredded, but sent for refurbishment.

## Goals and Measures

ESRS area	Target values
Energy and Emissions	<ul style="list-style-type: none"> <li>• <b>Energy Consumption:</b> hGears has set a target for 2026 that energy consumption will not exceed 26 kWh per working hour (2025: 25.3 kWh). Achieving this target is an ambitious goal, as energy efficiency per hour worked also depends on capacity utilization; with lower capacity utilization, largely constant baseline consumption is spread across a lower level of activity.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Renewable Energy Procurement:</b> hGears intended to increase the share of electricity sourced from renewable sources to 100% of total electricity procurement by the end of 2025 at the latest. This target was achieved in 2025.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Climate Neutrality:</b> hGears aims to be climate neutral across all business areas (from Scope 1 to Scope 3) by 2050. The majority of the reduction in greenhouse gas emissions is to be achieved through savings, with the remainder achieved through offset projects.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Energy Efficiency:</b> hGears intends to determine all production volumes and total energy consumption at the three locations by the end of 2025 in order to identify potential for improving energy efficiency. This goal was achieved in 2025. The implementation of specific efficiency improvement measures will begin in 2026.</li> </ul>
Circular Economy	<ul style="list-style-type: none"> <li>• <b>Recycling:</b> By 2040, hGears aims to have at least 98% of the materials generated as waste processed and/or recycled by external entities. Changes in the product mix and varying capacity utilization rates at the different locations affect the recycling rate. Against this backdrop, hGears is aiming for a recycling rate of 80% in 2026, up from 81% the previous year.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Circular Products:</b> hGears intends to consistently offer products that are as fully and relatively easily recyclable as possible in terms of material composition and properties.</li> </ul>
In-House Workforce	<ul style="list-style-type: none"> <li>• <b>Training and Continuing Education:</b> hGears intends to provide all employees with at least a certain number of hours of training annually on work-related and personal development topics. The schedule for the average training hours per full-time equivalent is as follows: at least 16 hours in 2025 and 2026 and a similar number of hours in subsequent years. In the reporting year, the number of hours reached 18.5.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Workplace Safety:</b> hGears intends to reduce the accident rate and the severity of accidents within the Company to zero in the long term. To this end, target values were set for the key performance indicators LTAR (Lost Time Accident Rate, number of work-related accidents resulting in at least one lost workday per 1 million work hours) and LWDR (Lost Workday Rate, lost workdays due to work-related accidents per 1 million work hours). In the reporting year, the LTAR was 3.6 and the LWDR was 43. For the year 2026, the Company is aiming for values of 3.8 for the LTAR and 40 for the LWDR.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Employee Health:</b> hGears intended to reduce working hours lost due to sick leave to a maximum of 3% of regular scheduled working hours. The illness rate has fallen from 5.1% in 2023 and 4.4% in 2024 to just 3% in 2025, thereby achieving the set target. In 2026, the Company aims to achieve a rate of at least 3.5%.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Safety Certification:</b> hGears intends to have its Suzhou and Schramberg sites certified to ISO 45001 (occupational health and safety management) by the end of 2025 at the latest. This goal was achieved in the reporting year.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Employee Turnover:</b> hGears intends to reduce employee turnover. The target for the number of voluntary resignations (excluding temporary workers) relative to the annual average number of full-time positions (excluding temporary workers) is 8.5% in 2025 and 8.0% in 2026. In the reporting year, the turnover rate was 4.1%.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• <b>Bonus:</b> hGears made the granting of bonus payments to the Management Board, starting in the 2023 fiscal year, contingent upon the achievement of company-wide sustainability performance targets. Details can be found in the compensation system and compensation reports.</li> </ul>

### 3. CLIMATE CHANGE

Climate protection is a critical economic factor for companies and part of risk management. For this reason, hGears continuously analyzes energy consumption and associated greenhouse gas emissions, as well as other important product-related factors that contribute to greenhouse gas emissions.

#### 3.1 Materiality Potential

In 2025, climate change again had no measurable or discernible impact on hGears' business model. Neither the procurement nor the sales situation has changed noticeably due to climate-related changes. The same applies to production conditions. It is also foreseeable that climate conditions will have no influence on the structure of the product portfolio—and thus the business model—at least in the medium term.

With regard to physical aspects, acute and chronic impacts were examined in the dimensions of temperature, wind, water, and solids. No impacts were currently identified in any of these categories. The same applies to non-physical and transient impacts. However, with regard to individual aspects (for example, energy management in the downstream value chain), significant risks were identified in the short to medium term, primarily resulting from potential changes in energy policy legislation.

**Physical risks:** hGears has not yet recorded any impacts due to extreme weather events. Such risks are classified as moderate.

**Non-physical risks:** To date, hGears has not identified any non-physical risks, such as increased insurance premiums due to climate change.

**Transitory risks:** No write-downs on balance sheet assets due to sustainability deficits have been necessary to date. The risk of such write-downs is limited in the case of hGears.

hGears has examined both acute and chronic physical risks. These included (acute) heat and cold waves, forest and wildfires, storms and blizzards, sea-level rise, water scarcity, heavy rainfall and flooding, as well as landslides and ground subsidence. These also included (chronic) heat stress, changes in air and water temperatures, changes in wind conditions, water scarcity, changes in precipitation patterns and types (rain, hail, snow/ice), coastal erosion, soil degradation, and soil erosion.

Based on the Intergovernmental Panel on Climate Change (IPCC)'s regularly published "Climate Change Synthesis Report," hGears checks whether key analysis parameters have changed and whether a re-evaluation is necessary.

To date, hGears has simulated a climate-related scenario analysis to identify and assess physical risks and transition risks and opportunities as part of its risk management system. The probability of a negative risk occurring was very low. Furthermore, the respective potential damage levels were relatively low. Consequently, the identified expected values for short-, medium-, and long-term transition risks were at a level that hGears classified as low and therefore immaterial. No risks were identified that exceed the non-action threshold defined in the risk management system. Therefore, there is no reporting obligation.

Given the absence of significant climate-related impacts and risks, conducting an analysis of the Company's "resilience" (including the supply chain) or a focused risk assessment—outside the established risk management system—has not been necessary to date. This assessment applies at least in the medium term; that is, based on current knowledge and understanding, there will be no need to assess the Company's "resilience" to climate-related changes until 2030. It is not possible to identify an impact on climate change directly attributable to hGears.

#### 3.2 Climate Action Transition Plan (ESRS E1-1)

hGears continuously strives to reduce energy consumption and greenhouse gas emissions. By 2022, the Company had not developed a specific climate protection plan. In 2023, hGears drafted a plan that was subsequently supplemented with comprehensive data on greenhouse gas emissions. The time horizon of this transition plan extends to 2040, with an important interim target set for 2032.

The plan was developed in accordance with the requirements of the Science Based Targets Initiative (SBTi) and is aligned with both the 1.5-degree Celsius target and the 2.6-degree Celsius target. Key levers for decarbonization and the most important measures include reducing Scope 2 emissions (increasing the Company's own greenhouse gas-free energy production) and lowering Scope 3 emissions across the upstream and downstream value chain. Since 2023, Schramberg has been sourcing 100% "green electricity." Since 2025, all locations have been supplied with electricity from renewable sources, meaning Scope 2 emissions have already been reduced to zero.

hGears has not "locked in" any significant greenhouse gas (GHG) emissions in its assets and products that would impede or significantly increase the cost of a medium- and long-term transition plan for climate protection. This plan meets regulatory requirements and is consistent with the Company's product and portfolio planning as well as its financial resources.

### 3.3 Climate Change Mitigation and Adaptation Strategies (ESRS E1-2)

To date, hGears has not identified any impacts of climate change on its business model or operations. This includes the Company's procurement, production, and sales activities. Assets have also not been affected to any significant extent. Against this backdrop, no adjustments to climate change have been necessary.

The strength and extent of the impact of hGears' business activities on the climate cannot be reliably quantified. Nevertheless, hGears strives to continuously reduce greenhouse gas (GHG) emissions by lowering energy consumption and increasing the use of renewable energy. Plans are in place to develop actionable strategies for this purpose.

Due to the limited impact of climate change on hGears' business model, operations, and assets, no comprehensive strategy has yet been developed—beyond the effects of measures already implemented—to manage the associated impacts, risks, and opportunities. Self-generated greenhouse gas emissions are prioritized in mitigation measures; emissions associated with the production of intermediate products come second, and emissions resulting from the use of hGears products were added to the analysis in 2025.

Independently of this, hGears continuously explores opportunities to improve climate protection. Relevant in this context are the energy intensity within the Group and for individual machines, as well as the emissions intensity.

### 3.4 Measures Related to Climate Strategies (ESRS E1-3)

Due to the limited impact of climate change on hGears' business model, operations, and assets, no specific, "earmarked" measures with corresponding budgets have been initiated to date. The limited emission intensity of greenhouse gas (GHG) emissions caused by hGears has so far justified not taking any immediate measures or measures with large-scale effects.

Nevertheless, hGears is striving to reduce the release of climate-impacting gases even beyond established targets. This is achieved both through the increasing use of non-fossil energy sources and by replacing equipment and machinery with more energy-efficient alternatives. Plans are in place to develop actionable concepts for this purpose.

Through the Sustainability Committee and as part of the investment decisions made by individual plants, hGears is continuously seeking measures and investments (such as photovoltaics, heat pumps, and sustainable cooling systems) to appropriately address environmental and climate issues in its day-to-day operations.

These measures included, among other things, the gradual implementation of the ISO 14001 environmental management system and the ISO 50001 energy management system in Schramberg; corresponding energy audits were also conducted at this location.

### 3.5 Data on Climate Protection and Adaptation to Climate Change (ESRS E1-4)

hGears aims to continuously reduce energy consumption and greenhouse gas emissions. To this end, the Company sets appropriate targets derived from a model based on the Science-Based Targets Initiative (SBTi).

### 3.6 Data on energy consumption and energy mix (ESRS E1-5)

#### Total energy consumption related to own operations

Quantities in gigajoules	2021	2022	2023	2024	2025
Primary energy consumption	54,888	47,615	39,114	32,283	32,851
of which diesel fuel	2,757	3,320	2,864	2,049	2,126
of which natural gas	52,131	44,295	35,639	29,898	30,725
Secondary energy consumption (electricity)	123,518	115,617	90,298	72,960	66,473
Self-generated electricity consumed*	–	1,965	3,752	3,654	3,857
<b>Total energy consumption</b>	<b>178,406</b>	<b>165,197</b>	<b>133,164</b>	<b>108,897</b>	<b>103,181</b>

\* Company-owned PV system

### 3.7 Data on greenhouse gas emissions in the Scope 1/2/3 categories (ESRS E1-6)

#### Direct and indirect greenhouse gas (GHG) emissions

in metric tons (t) of carbon dioxide equivalents (CO <sub>2</sub> eq)	2021	2022	2023	2024	2025
Scope 1	3,111	2,718	2,228	1,829	1,989
Scope 2 (location-based)*	6,794	9,868	7,915	6,018	4,670
Scope 3	27,692	27,181	21,320	17,422	12,754
<b>Total GHG (Scope 1 to 3)</b>	<b>37,597</b>	<b>39,767</b>	<b>31,463</b>	<b>25,269</b>	<b>19,413</b>

\* In 2022, following the outbreak of the Russia-Ukraine war and a sharp rise in energy prices, gray electricity was temporarily purchased instead of green electricity for cost reasons.

### 3.8 Data on the reduction of greenhouse gas emissions (ESRS E1-7)

Apart from savings along the value chain, hGears has not yet financed any (offsetting) projects designed to generate positive effects regarding the amount of unbound greenhouse gases—due to the insufficient supply to date. Consequently, the Company has also not acquired any corresponding certificates for the hypothetical reduction of GHG emissions.

### 3.9 Data and Targets for CO<sub>2</sub> Pricing (ESRS E1-8)

hGears does not use an internal CO<sub>2</sub> pricing system.

### 3.10 Data on the financial impacts of material risks and opportunities (ESRS E1-9)

In the 2025 reporting year, hGears did not identify any significant physical climate risks in the short to medium term with regard to the Company's assets. Likewise, no significant climate-related transition risks were identified. Accordingly, no balance sheet adjustments or provisions related to such risks were required in the financial report.

Based on current knowledge, hGears' assets are not exposed to significant physical risks or material transition risks. Against this backdrop, hGears has not yet conducted a specific climate scenario analysis modeling potential threats to corporate value. Due to the absence of currently identifiable significant transition risks, hGears has also not identified any potential stranded assets.

## 4. ENVIRONMENTAL POLLUTION

For companies, preventing environmental pollution is a given if they are to remain profitable and competitive in the long term. As part of its impact analysis in the sustainability area of "environmental pollution," hGears sought opportunities to determine how changes in business policy, production processes, or adjustments along the value chain could generate positive effects for both the environment and corporate finances. The scope of the analysis covered all known parts of the value chain.

### 4.1 Materiality Potential

As part of the materiality analysis, hGears examined all relevant activities, products, and services of the Company that have or could have actual and/or potential impacts on the environment. These include emissions to air, water, and soil; the impact on (living) organisms; the handling of substances of concern and substances of very high concern; and the handling and use of microplastics. hGears assessed the severity of impacts using qualitative or quantitative approaches. With regard to risk assessment, hGears estimated plausible expected values for potential damage and its extent.

Against this backdrop, hGears examined potential water and air pollution in the upstream value chain. For instance, there is a risk of emissions into water and soil at supplier steel manufacturers. The data available here is only vague, especially since hGears also sources steel from (wholesale) distributors. Currently, these risks are classified as "moderate" and thus as immaterial. Likewise, hGears was unable to identify any "affected communities" in the sustainability area of environmental pollution.

hGears has thoroughly analyzed all of its own business processes with theoretically possible impacts on the environment—including the associated risks and opportunities. Furthermore, all developments in the surrounding environment with impacts on the Company's finances were examined, including the associated risks and opportunities. As part of production planning, the potential risk of pollutant release was assessed, and as part of production monitoring, actual risks of pollutant release were evaluated. No significant risks were identified in this process. The installation of filtration systems and retention systems, combined with ongoing monitoring, has so far prevented any detectable environmental pollution.

hGears monitors the discharge of wastewater from its own production into the public sewer system at all locations. The composition of wastewater in terms of substances and pollutants is strictly regulated in Europe. hGears does not discharge any biologically incompatible substances into the sewer system with its wastewater. Oils in the wastewater are separated from the water using a grease trap before leaving the plants and are disposed of separately in accordance with regulations. The same applies to contaminated water, particularly at the Padua site.

### 4.2 Concepts for Preventing Environmental Pollution (ESRS E2-1)

hGears complies with strict government environmental regulations at all locations, sometimes even exceeding them, thereby avoiding negative impacts on the environment and effectively limiting associated risks. Given these high standards, opportunities for additional improvements are limited. Given the overall situation, hGears has refrained from developing further "concepts for managing significant impacts related to environmental pollution" beyond the various existing (protective) regulations.

hGears does not have access to all relevant data and information regarding the upstream value chain, so theoretical risks exist here. hGears' business operations do not result in significant environmental pollution (air, water, soil). In the downstream value chain—which hGears can rarely trace in detail along its entire length—gears and transmission components only lead to significant negative impacts in a highly specific context.

### 4.3 Measures to Prevent Environmental Pollution (ESRS E2-2)

hGears provides all necessary resources (both human and financial) to meet both legal standards/requirements and internal company regulations regarding the prevention of environmental pollution. To this end, all necessary measures are taken; there is no limitation on the corresponding resources.

#### 4.4 Data on Environmental Pollution (ESRS E2-3)

hGears emits neither significant air pollutants nor substances of concern, nor does it cause significant direct water pollution or soil contamination. Given the low pollution load resulting from its own business operations, hGears has not yet formulated specific targets. The absence of incidents and the positive results of regular measurements and tests confirm that regulations going beyond current efforts and guidelines are not necessary. Nevertheless, hGears reviews new findings, particularly those based on additional data resulting from the implementation of EMAS.

#### 4.5 Data on Air, Water, and Soil Pollution (ESRS E2-4)

During the reporting year, hGears did not release any pollutants outside the legal limits that would have led to unacceptable pollution of the air, water resources, or soil. Pollutant releases, if any, were below the detection limit. Microplastics were neither produced nor used.

hGears has maintained a high standard in terms of pollution prevention for many years. In light of this, further improvements have been only marginal; no significant changes have occurred.

hGears conducts annual measurements—and in some cases, measurements throughout the year—of relevant pollutants. External service providers are sometimes contracted to perform these measurements—for example, for air emissions (chimney/plant emissions, noise sources) or for emissions into the soil (groundwater contamination).

#### 4.6 Data on Substances of Concern (ESRS E2-5)

hGears did not use any substances of concern in its production process during the reporting year. Lead, present in small quantities as a component of steel alloys, represents a negligible exception; hGears sources this from manufacturers and suppliers. Otherwise, hGears neither distributes nor markets substances of concern, nor does it export or import them.

#### 4.7 Data on the Financial Impact of Significant Risks and Opportunities (ESRS E2-6)

During the reporting year, hGears did not identify any significant incidents of environmental pollution within its own business operations. For this reason, no operating or capital expenditures related to incidents or contamination occurred during the reporting year (costs for the removal/remediation of air, water, and soil pollution, including environmental protection). Likewise, there were no compensation payments or settlements, nor were there any fines or sanctions imposed by regulatory or government authorities.

## 5. WATER AND MARINE RESOURCES

An impact of hGears' economic activity on water resources and water quality is observable throughout the entire value chain and is also significant. Water plays a role as a production factor and as a utility for cooling and improved processing. Thus, while the volume of water used by hGears is substantial, it does not lead to a critical depletion of regional water resources at the respective locations—even after consultation with the relevant authorities.

### 5.1 Materiality Potential

In the upstream value chain—the production of steel/metal and lubricants—hGears has not yet identified any significant water use. In the downstream value chain, the use of hGears' products leads, at most, to minimal use of (fresh) water. Cooling water from its own production is treated and recycled by waste management companies in Schramberg and Suzhou and professionally disposed of in Italy.

hGears has examined the entire value chain for water-related (sustainability) aspects. In doing so, water demand in its own production emerged as the only relevant criterion. However, water consumption is not above average for an industrial company, and hGears—with the exception of Suzhou, China—does not operate in areas with high water stress. In none of the cases examined, however, were affected communities identified as stakeholders.

## 5.2 Concepts for the Conservation of Water and Marine Resources (ESRS E3-1)

hGears' production management already takes the careful use of water resources into account for business reasons. However, no specific control mechanisms beyond this are planned, partly because there is no alternative to water as a production factor.

According to the World Research Institute's Water Risk Atlas from 2025, Schramberg faces only low "overall water risks" such as water stress, availability, purity, seasonal variability, falling groundwater levels, and flood risk in rivers (0.5 on a scale of 0 to 5); in Padua, there are moderate to high overall water risks (2.5); and in Suzhou, high overall water risks (3.5).

hGears has not developed or established a water policy due to the below-average impact of its own water demand on regional resources; nevertheless, strict water management is implemented, if only for business reasons. Should this assessment need to be revised and a policy for prioritizing water demand become necessary, hGears would primarily align itself with the Alliance for Water Stewardship's International Water Stewardship Standard from 2019.

## 5.3 Measures to conserve Water and Marine Resources (ESRS E3-2)

To date, hGears has pursued a responsible water policy. This primarily involves using only as much water as is absolutely necessary through the application of efficiency measures. hGears has not initiated any additional specific measures regarding water resources. The impact of business activities on marine resources is not detectable in any case, and there are no related risks associated with " " either. There is generally a limited impact on freshwater resources, but the quantities required are not significant in relation to available resources. Standard business management controls have proven sufficient in this regard.

## 5.4 Targets regarding the Use of Water and Marine Resources (ESRS E3-3)

hGears has not set any targets for water use or freshwater consumption. Legal requirements and product-specific needs make specific targets for water use neither necessary nor feasible. hGears fully complies with all legal requirements regarding water use. Fluctuations in water consumption are related to production volume.

## 5.5 Water Use Data (ESRS E3-4)

### Water withdrawal/wastewater hGears Group

in cubic meters (m <sup>3</sup> )	2021	2022	2023	2024	2025
Withdrawal from the public grid*	49,556	42,456	36,438	37,734	38,574
Connection to the public sewer system	45,937	35,288	29,775	29,234	22,279
Liquid waste	824	763	693	528	506

\* Increase in 2024 due to a temporary leak in the piping system at the Padua site.

### Water withdrawal/wastewater at the Suzhou site in China\*

in cubic meters (m <sup>3</sup> )	2022	2023	2024	2025
Withdrawal from the public grid*	10,434	10,464	8,522	8,673
Liquid waste	8,678	7,544	6,875	6,698

\* Location in an area with high overall water risk according to the World Research Institute's Water Risk Atlas from 2025.

## 5.6 Data on the Financial Impacts of Material Risks and Opportunities (ESRS E3-5)

hGears takes into account the relevant impacts of its business activities on water resources as well as the potential consequences of water availability for the Company's finances. Based on the analysis conducted, water resources currently have only a minor impact on hGears' business activities. The Company regularly reviews which production-related measures or additional investments might be necessary to prevent or at least mitigate potential negative developments at an early stage. The review did not identify any specific need for action in the reporting year.

## 6. BIODIVERSITY AND ECOSYSTEMS

hGears examines the Company's impact on biodiversity and ecosystems in terms of material positive and negative actual and potential impacts. This also includes the extent to which hGears could contribute to the causes of the loss and damage of biodiversity and ecosystems.

### 6.1 Materiality Potential

As part of the materiality analysis, hGears examined all of the Company's relevant activities, products, and services to determine whether they have actual and/or potential impacts on the environment. These include emissions to air, water, and soil; exposure of (living) organisms; the handling of substances of concern and substances of very high concern; and the handling and use of microplastics. hGears assessed the severity of the impacts using qualitative or quantitative approaches.

With regard to risk assessment, hGears has made transparent assumptions regarding expected values for potential damage. To this end, various scenarios of conceivable impacts were simulated, and the probability of occurrence and the respective extent of damage were calculated.

As part of the impact analysis, hGears also sought opportunities in the sustainability area of biodiversity that could result in positive effects for the environment and corporate finances through changes in business policy, modified production processes, or adjustments along the value chain. The scope of the analysis covered the entire value chain and included product components, waste and waste components, impacts from transportation or production facilities, and water pollution.

No impacts or significant risks and opportunities were identified in any of these areas. In this overall scenario, hGears considers the topic of biodiversity and ecosystems in connection with its own economic activities and with economic activities along the value chain to be "not material."

### 6.2 Consideration of Biodiversity and Ecosystems (ESRS E4-1)

In initial cases of concern, attempts were made to identify the nature, type, and extent of the Company's material risks, dependencies, and opportunities related to biodiversity and ecosystems. The financial effects of the material risks and opportunities that could arise in the short, medium, and long term from the Company's impacts and dependencies regarding biodiversity and ecosystems were also examined. In this examination, hGears is guided by the so-called planetary boundaries, which are also reflected in the European Reporting Standards (ESRS):

- Climate change (ESRS E1)
- Overload with novel substances (ESRS E2)
- Depletion of the stratospheric ozone layer (ESRS E2)
- Aerosol pollution of the atmosphere (ESRS E2)
- Ocean acidification (ESRS E3)
- Disruption of biogeochemical cycles (ESRS E4)
- Changes in freshwater systems (ESRS E3)
- Changes in land use (ESRS E4)
- Changes in the integrity of the biosphere (ESRS E4).

Even with a detailed analysis covering a ten-year time horizon, no impacts of hGears' business activities on these sustainability areas ("planetary boundaries") can be identified. The analysis was not based on measurements but rather captures theoretically possible effects, such as intentional or unintentional releases of substances detrimental to the described sustainability areas during the production process or along the value chain.

hGears currently sees no indications that potential changes in biodiversity or a potential reduction in the functionality of relevant ecosystems have an impact on the Company's operating environment or its processes.

In this respect, a very high degree of resilience exists in this case. As part of the stakeholder dialogue, hGears has not received any feedback or suggestions related to biodiversity and ecosystems.

### 6.3 Policies for the Protection of Biodiversity and Ecosystems (ESRS E4-2)

The materiality analysis determined that biodiversity and ecosystems are not currently material to hGears' business operations. Against this backdrop, hGears has not yet developed any specific strategies for the protection of biodiversity and ecosystems.

Should the regular review of the materiality analysis reveal that significant impacts, risks, dependencies, or opportunities related to biodiversity and ecosystems arise, hGears will develop appropriate strategies. The aim of such strategies would be to systematically address the identification, assessment, and management of significant impacts, dependencies, risks, and opportunities related to biodiversity and ecosystems.

## 7. RESOURCE USE AND CIRCULAR ECONOMY

hGears has reviewed its entire business operations as well as the upstream and downstream value chain, in consultation with stakeholders, to assess the impacts on the environment and corporate finances resulting from the Company's current practices in resource/material procurement and waste management. hGears manufactures gear components and other parts for power units used to drive machinery, as well as complete gearboxes. The production of these parts primarily requires metals and steel alloys in accordance with customer specifications.

### 7.1 Materiality Potential

The impact on the resource situation along the upstream value chain is substantial due to the volumes involved: iron ore and (fossil) energy sources for the production of metal/steel. The volume of waste generated by hGears in its own operations is also high, but the vast majority of it can be recycled. The recycling rate stood at 80 % in 2025, with metals and steel alloys being almost entirely recyclable. The decline in the recycling rate compared to the previous year was primarily due to the drop in production at the Schramberg site and the resulting lower volume of reusable steel shavings. The relatively higher proportion of non-recycled waste lowered the recycling rate.

Further significant quantities of materials are required in the downstream value chain to manufacture the end products. However, the components of hGears can be recycled to a large extent at the end of the end products' lifecycle, as can other significant parts of the end products. Overall, the individual links in the value chain are comparatively easy to trace in terms of resource use and circular economy.

### 7.2 Concepts for Resource Use and Circular Economy (ESRS E5-1)

Due to the purity of the materials used by hGears, the products are largely reusable without restriction and are therefore an optimal component of the circular economy. To ensure that the residual and waste materials generated during the manufacturing process are also reused almost entirely, hGears has developed corresponding waste management guidelines.

hGears uses both newly produced and recycled materials. The hGears guideline addresses the handling of residual and waste materials. For material procurement, primary and secondary materials are sourced equally depending on availability. With regard to energy procurement, renewable energy sources are generally preferred. Other auxiliary and operating materials are selected based on production requirements; in this area, the availability of renewable resources is very limited.

### 7.3 Measures for improved Resource Utilization/Circular Economy (ESRS E5-2)

Since Gears primarily uses metal/steel to manufacture its products, it has not developed any specific measures regarding the circular economy. The main materials are fully reusable and can be an integral part of circular economy systems, but they must meet the requirements (quality, price) of the customers. Other inputs (energy, auxiliary materials, and consumables) are procured with sustainability in mind whenever possible and recycled whenever feasible.

#### 7.4 Data and Targets for Resource Use and Circular Economy (ESRS E5-3)

hGears products are always designed with regard to the "weight" criterion to use only as much material as is necessary for function and durability. For example, this means using no more metal than is absolutely necessary for gears and axles. This requirement is an implicit goal. The fundamental choice of materials also results in the greatest possible reusability. Thus, regarding waste generation, hGears has set the explicit goal of reusing nearly all—that is, 98%—of its total waste by the year 2040. hGears has chosen a 15-year timeframe to achieve this recycling goal in order to realize it with a cost-benefit ratio that is economically viable.

hGears' fundamental goal is to keep as large a volume of material as possible in circulation and to continuously increase the proportion of reusable materials used. While hGears parts are designed to be reusable, the implementation of this in the circular economy is the responsibility of the customers—that is, the manufacturers of the end products.

hGears' practices regarding waste management—which specifically cover the type and quantity of packaging materials as well as the recycling pathways for packaging materials—also include implicit goals. By 2027, these practices are to be consolidated into a waste management policy. hGears already fully complies with all legal requirements. hGears' approach to waste management focuses primarily on voluntary regulations that go beyond these legal requirements.

#### 7.5 Data on Resource Inflows (ESRS E5-4)

hGears procures metals and steel alloys to a significant extent in accordance with product design specifications or customer specifications, as well as auxiliary and operating materials and energy. The most important groups of purchased materials are metals and auxiliary and operating materials.

##### Purchased quantities of intermediate products and consumables

in tons (t)	2021	2022	2023	2024	2025
Steel	7,588	7,607	5,407	3,959	3,288
Metal powder	1,466	1,260	1,085	770	861
Aluminum	312	320	297	272	277
Nitrogen	263	483	239	170	148
Packaging material	688	697	566	462	413
(Lubricating) oils	412	430	286	175	129
Other products/materials	273	303	372	228	192
Total	11,002	11,100	8,252	6,036	5,258

#### 7.6 Data and Targets on Resource Exhaustion (ESRS E5-5)

hGears manufactures gears, transmission components, and parts for powertrains made of metal or steel alloys for the operation of machinery. hGears' products are typically mission-critical and therefore generally have a long service life; moreover, they exhibit an above-average lifespan compared to other parts in the systems.

hGears products can be repaired if damaged; however, for economic reasons, the entire system is typically replaced. Defective or damaged parts can, however, be easily recycled (melted down). The extent to which individual parts must be replaced instead of entire assemblies depends on the design of those assemblies. hGears has no influence over this; the decision is usually made by the customers as manufacturers of the end products (consumer goods) or by the end users. The recyclability of hGears' product packaging is over 95%.

**Waste generation**

in tons (t)	2021	2022	2023	2024	2025
Total waste volume	5,966	5,488	3,694	2,954	2,175
of which non-hazardous waste	4,613	4,357	2,681	2,325	1,623
of which hazardous waste	1,353	1,131	1,013	628	552
Amount of waste recycled	4,944	4,597	2,979	2,520	1,738
of which non-hazardous waste	5,488	4,326	2,642	2,285	1,574
of which hazardous waste	393	271	279	235	164
Amount of waste disposed of	1,022	891	715	434	437

**8. IN-HOUSE WORKFORCE**

The focus of hGears' human resources efforts in the reporting year was on goals and measures to increase employee satisfaction with their work environment and to strengthen the Company's appeal as an employer:

- Performance-based and market-standard compensation.
- Provision of monetary and non-monetary benefits.
- A consistently high level of transparency in HR policy.
- Improvement of information exchange between employees and management.
- Expansion of internal training opportunities.
- Continued attractive range of training opportunities.
- Further strengthening of diversity within the Company.

The hGears Code of Conduct defines a positive, healthy, and safe work environment as a non-negotiable value. hGears is committed to treating all employees with respect and on the basis of fairness, transparency, and non-discrimination. No form of harassment (physical, psychological, or sexual), bullying, discrimination, or intimidation based on ethnicity, race, religion, gender, age, origin, nationality, sexual orientation, or disability will be tolerated.

**8.1 Materiality Potential**

The hGears Sustainability Report covers the entire workforce of the corporate group. To date, hGears has not identified any significant negative impacts of its human resources policies, business model, or business strategy on employees or other individuals employed by the Company. However, the workforce was affected during the reporting period as a result of a decline in demand from major customers. This led to a reduction in the workforce.

Health and safety incidents can pose legal and financial risks to hGears. Such events can, for example, lead to claims for damages, legal disputes, or additional organizational measures. Furthermore, they can have a negative impact on the Company's reputation, which in turn can result in the loss of customers or business partners as well as increased recruitment and training costs. In connection with hGears' ongoing restructuring, events could also occur that negatively impact the public perception of the Company.

A significant gender pay gap can lead to lower employee motivation and retention, as unequal treatment or discrimination may be perceived. This can impair the work environment, reduce productivity, and negatively impact the Company's attractiveness as an employer. In the long term, this may also result in legal risks as well as negative effects on the Company's reputation.

If employees leave the Company due to a lack of or limited development opportunities, financial risks may arise. These include, in particular, costs for recruiting and training new employees, as well as productivity

losses resulting from the departure of experienced employees. Additionally, dissatisfaction may arise among the remaining employees, which can impair morale and performance and contribute to further turnover. hGears employees currently have various development opportunities within the Company. These include, in particular, internal promotion opportunities—such as advancing from trainee to team leader—as well as support for professional development initiatives. These encompass, among other things, master craftsman training, specialized qualification programs, and part-time degree programs, such as MBA programs in compliance and risk management.

A lack of diversity within a company can entail economic risks, such as reduced innovation capacity, limited problem-solving approaches, and difficulties in recruiting and retaining talent. Furthermore, this can give rise to legal risks and negative reputational impacts if different target groups are not adequately considered. These factors can impair the Company's competitiveness and lead to financial losses in the long term.

Risks and opportunities related to the Company's own workforce generally affect all hGears employees. No significant negative or positive impacts based on specific employee characteristics (age, gender, other personal characteristics, company location) are currently known.

Risk assessments are available for all workplaces, in which potential hazards are identified and appropriate measures for risk minimization are defined.

## 8.2 Policies related to the Company's Workforce (ESRS S1-1)

hGears has implemented a Code of Conduct that governs the management of significant impacts on its own workforce as well as the associated risks and opportunities. In addition, there is an employee handbook that, among other things, takes into account the requirements of the General Equal Treatment Act (AGG).

These policies apply uniformly across the entire group to all employees and are not limited to specific employee groups or locations.

In respecting human and labour rights, hGears adheres to the United Nations Guiding Principles on Business and Human Rights, the core labour standards of the International Labour Organization (ILO), and the OECD Guidelines for Multinational Enterprises. No significant negative impacts on the human rights of our own workforce were identified during the reporting year. The Code of Conduct expressly prohibits, in particular, human trafficking, forced labour, and child labour.

Job-specific safety instructions are in place for various activities. In addition, legal requirements regarding occupational safety and the prevention of workplace accidents are strictly adhered to. hGears maintains an occupational health and safety management system compliant with ISO 45001, and supplementary occupational health and safety guidelines are applied, particularly in production.

The Management Board promotes a corporate culture that aligns with the standards set forth in the Code of Conduct. The management of each Group company is responsible for implementing and disseminating the Code at the local level ( ; [https://hgears.com/site/wp-content/uploads/Code-of-Conduct-2022-DE\\_web.pdf](https://hgears.com/site/wp-content/uploads/Code-of-Conduct-2022-DE_web.pdf)).

hGears handles reports of harassment, discrimination, or threats promptly, carefully, and with due regard for confidentiality and protection against retaliation. The processes comply with the requirements of the EU Whistleblower Directive (EU) 2019/1937 and the Whistleblower Protection Act (HinSchG). Anonymous reports may be submitted and will be considered in accordance with legal requirements. hGears expects its suppliers and business partners to comply with applicable legal requirements and to adhere to comparable standards in the areas of compliance, human rights, and working conditions.

## 8.3 Involvement of the Company's Own Workforce/Employee Representatives (ESRS S1-2)

See [Section 2.5 "Stakeholder Engagement"](#).

## 8.4 Procedures for addressing Adverse Impacts and Reporting Channels (ESRS S1-3)

hGears employees are in regular communication with their managers, including during performance reviews. These also serve as an additional channel for raising concerns or complaints. In addition, hGears has implemented a whistleblower system that complies with the requirements of the EU Whistleblower Directive

(EU) 2019/1937 and the Whistleblower Protection Act (HinSchG). Reports can be submitted through various internal channels, in particular via the whistleblower portal ("Integrity Line"), by directly contacting the responsible functions (e.g., Group Head of Risk & Compliance or Group Human Resources Director), or in writing, for example by mail.

The whistleblower system enables the reporting of potential legal violations as well as violations of internal policies, including issues related to human rights or the environment. It is available not only to employees but also to business partners and other stakeholders. Reports may also be submitted anonymously.

Whistleblowers may freely choose between internal and external reporting channels. hGears recommends using internal reporting channels provided that an effective internal investigation is possible and there is no risk of retaliation.

Incoming reports are treated confidentially and processed while ensuring protection against retaliation. The identity of the reporting individual is protected in accordance with legal requirements. Receipt of a report is confirmed within the legally prescribed timeframes. Reports are reviewed, documented, and appropriate follow-up measures are initiated. Whistleblowers receive feedback on the status of the investigation within the statutory timeframes. There are clearly defined processes for handling reports that ensure an independent and objective review. The individuals responsible for the whistleblower system have received appropriate training.

The whistleblower system is operated by an external service provider. It enables low-threshold use and offers the option to arrange in-person meetings for submitting reports in addition to written reports.

The reporting system at hGears also includes processes and structures for the collection, processing, and documentation of relevant information, including reports on compliance violations, work-related matters, and security-related incidents. It serves to create transparency, identify risks at an early stage, and ensure compliance with legal and internal company regulations. Thus, the whistleblowing system is an integral part of Company-wide compliance management.

## 8.5 Measures Regarding Significant Impacts (ESRS S1-4)

hGears has initiated an action plan and allocated resources to promote positive impacts on the workforce and opportunities, while minimizing negative impacts and risks.

The "**Human Resources Action Plan**" includes:

- **Ensuring labour standards:** Implementation and monitoring of best practices for occupational safety and health.

The provision of **Human Resources** enables:

- Establishment of an interdisciplinary sustainability team responsible for implementing and monitoring social initiatives.
- Training of employees in the areas of occupational safety, compliance, and sustainability.

The provision of **Financial Resources** serves to:

- Conducting training and continuing education programs.
- Conducting supplier audits

The provision of **Technological Resources** serves to:

- Implementing a digital compliance and sustainability management system to monitor progress in real time.

## Employees

as of the end of each year	2021	2022	2023	2024	2025
Total number of people*	919	847	741	692	648
Total number (FTE)**	912	835	724	644	634
Full-time employees	693	700	663	644	609
Part-time employees	32	33	31	48	39
Women	204	192	162	161	164
Ratio	22%	23%	22%	23%	25%
Men	715	655	579	525	484
Ratio	78%	77%	78%	77%	75%
Turnover rate ***	10.8%	10.0%	7.6%	14.9%	4.1%

\* Plus four employees of the holding company

\*\* FTE = Full-Time Equivalent (excluding board members, including inactive employees, e. g., on maternity leave)

\*\*\* calculated using the so-called Schlüter formula

### 8.6 Addressing Negative Impacts, Risks, and Opportunities (S1-5)

hGears has formulated the following objectives for managing negative impacts and risks on the workforce:

- The workforce is to receive training on work-related and personal development topics. Training hours are provided to employees for this purpose.
- The Company aims to reduce the accident rate and the severity of accidents to zero. Until this goal is achieved, the Lost Time Accident Rate (LTAR) is to be continuously reduced.
- Sickness-related absenteeism is to be continuously reduced.
- hGears has had its sites certified to ISO 45001 (occupational health and safety management).
- hGears links the granting of bonus payments to the achievement of personal and Company-wide sustainability performance targets. A corresponding formal arrangement has been introduced for the Management Board level and, in part, for the second management level.
- Specific quantitative targets can be found in the chapter Goals and Measures.

Employee representatives (works council) are involved through the economic committees as well as on individual topics. Key performance indicators are openly presented within the framework of the economic committee.

### 8.7 Data on Diversity Parameters (S1-9)

hGears defines the Management Board and the Supervisory Board as top management. On the two-member Management Board, the proportion of women is zero percent, while the proportion of women on the five-member Supervisory Board is 20 percent (as of 2024).

#### Distribution of employees (headcount) by age

as of year-end	2021	2022	2023	2024	2025
< 30 years	155	121	82	75	73
≥ 30 and ≤ 50 years	507	452	390	358	337
> 50 years	257	274	269	253	238
Σ	919	847	741	686	648

**Length of service (headcount)**

Number of employees per period	2021	2022	2023	2024	2025
< 5 years	413	356	265	241	211
5 – 9 years	119	104	106	97	87
10 – 19 years	180	181	162	268	178
20 – 29 years	158	155	158	51	104
30 – 39 years	45	47	48	27	65
40 ≥ years or older	4	4	2	2	3
<b>Σ</b>	<b>919</b>	<b>847</b>	<b>741</b>	<b>686</b>	<b>648</b>

**8.8 Data and Targets for Training and Competency Development Parameters (S1-13)**

hGears conducts training in all business areas and knowledge categories through external and internal courses. These include specialized workplace-related offerings, compliance training, ESG training, language courses, occupational and IT security training, product safety instruction, and leadership development. In addition, hGears provides support for part-time degree programs and dual study programs. As part of these training programs, a virtual "e-learning tool" is increasingly used in addition to in-person instruction (for the objectives, see the "Target Values" table).

**Continuing Education**

	2021	2022	2023	2024	2025
Number of training participants	823	885	795	697	675
Training hours	20,797	18,982	13,076	11,571	12,485
Training hours per participant	25.3	21.4	16.4	16.6	18.5

**8.9 Data and Targets for Health and Safety Parameters (S1-14)**

At the Padua site in Italy, all employees are covered by an occupational health and safety management system based on legal requirements and/or recognized standards or guidelines. At the Suzhou site in China, 93 percent of employees are covered by this system. At the Schramberg site in Germany, all employees have been covered by the ISO 45001 occupational health and safety management system since the end of 2025. This means that over 98 percent of employees across the Group are covered by such management systems (for targets, see the "Target Values" table).

**Occupational Safety**

	2021	2022	2023	2024	2025
Number of workplace accidents*	10	6	11	5	4
Number of hours worked	1,729,901	1,479,638	1,363,699	1,222,181	1,120,208
LTAR**	5.8	3.6	8.1	4.1	3.6
LWDR***	36	45	115	55	43
Occupational diseases	–	–	–	–	–
Deaths during working hours	–	–	–	–	–

\* Accidents with downtimes of more than one day.

\*\* LTAR = Lost Time Accident Rate: Number of workplace accidents (resulting in at least one day of lost time) per 1,000,000 working hours.

\*\*\* LWDR = Lost Workday Rate: Lost workdays due to workplace accidents per 1,000,000 working hours.

### 8.10 Data on Incidents, Complaints, and serious Consequences (S1-17)

hGears did not identify any significant incidents of discrimination within its own workforce during the reporting year. No corresponding complaints or reports were received through the existing internal reporting channels during the reporting period. The same applies to proceedings before the OECD National Contact Points for Multinational Enterprises.

No fines, penalties, or compensation payments were made in the reporting year in connection with discrimination, harassment, or related complaints.

Furthermore, no serious human rights incidents related to the Company's own workforce were identified during the reporting year. Accordingly, no fines, penalties, or compensation payments were incurred in this context.

The collection and analysis of the relevant data were carried out by the Group Human Resources Director and the Group Head of Risk & Compliance.

## 9. WORKERS IN THE VALUE CHAIN

hGears identifies the legitimate interests and perspectives of workers in the value chain, as well as how their rights are addressed, as part of a risk-based approach. This is done, on the one hand, proactively—for example, by analyzing available information and engaging in dialogue with companies in the value chain—and, on the other hand, by providing reporting channels through which tips, concerns, or complaints can be addressed to hGears. The whistleblower system is generally also available to workers in the value chain and other stakeholders.

In the event of substantiated reports of potential infringements or violations of rights, hGears investigates these and takes appropriate measures to clarify the situation and, if necessary, to remedy it. In accordance with the provisions of its own Code of Conduct, identified violations may, depending on their severity, result in measures against business partners, up to and including the termination of the business relationship.

### 9.1 Materiality Potential

hGears places great emphasis on a sustainable supply chain. In particular, hGears prioritizes the use of renewable energy, the use of recycled raw materials, responsible procurement practices, decent working conditions throughout the upstream production stages, and logistics that are as environmentally friendly as possible.

Where certain technologies or capacities are not available internally, hGears outsources individual production steps to third parties. In such cases, hGears ensures compliance with relevant quality requirements and standards throughout the value chain. Potential negative impacts on workers in the value chain may arise from the activities of business partners. hGears takes such risks into account within the scope of its influence and works to avoid or minimize negative impacts.

In the reporting year, no significant negative impacts on workers associated with hGears' business activities were identified. This assessment is based on the available information along the value chain. Likewise, no specific groups of workers were identified as being at increased risk of such impacts.

Furthermore, there were no indications of significant risks related to child labour, forced labour, or compulsory labour in hGears' value chain during the reporting year.

### 9.2 Policies regarding Workers in the Value Chain (S2-1)

hGears pursues an approach to respecting human rights that also includes workers in the value chain. This involves identifying and assessing potential risks of human rights violations, as well as implementing appropriate measures to prevent and mitigate such risks. hGears adheres to internationally recognized standards for the respect of human and labour rights. These include, in particular, the United Nations Guiding Principles on Business and Human Rights, the core labour standards of the International Labour Organization, and the OECD Guidelines for Multinational Enterprises.

To implement this approach, hGears has adopted a Code of Conduct that defines fundamental requirements for ethical behavior, working conditions, and respect for human rights. Compliance with this Code forms the basis for business relationships and may be contractually stipulated. Reports of potential violations can be submitted via the existing reporting channels. The relevant procedures and reporting channels are described in [Section 8.4](#).

### 9.3 Procedures for Engaging Workers in the Value Chain (S2-2)

To date, hGears has not established a formal standardized procedure for the systematic engagement of workers in the value chain. Interests and concerns are currently addressed as part of a risk-based approach, particularly through available information sources and dialogue with business partners. In addition, reports of potential impacts or grievances can be submitted to hGears via existing reporting channels. Further information on the relevant procedures is provided in the [Section 8.4](#) and in the [Section 9.4](#). Incoming reports are reviewed by the responsible functions, in particular the Group Human Resources Director and the Group Head of Risk & Compliance, and incorporated into the assessment and management of potential impacts.

### 9.4 Procedures for Remediating Negative Impacts and Reporting Channels (S2-3)

hGears has established a whistleblower system that is generally accessible to workers throughout the value chain. This system allows for the submission of reports regarding potential negative impacts on working conditions or other grievances. The reporting channel is designed to enable low-threshold and accessible use. Reports are recorded in a structured manner, reviewed, and processed appropriately. The whistleblower system protects whistleblowers from retaliation in accordance with applicable legal requirements. It is also possible to submit reports anonymously.

### 9.5 Action Taken Regarding Impacts, Risks, and Opportunities (S2-4)

In the reporting year, hGears did not identify any significant impacts, risks, or opportunities related to workers in the value chain. Against this backdrop, no specific action plans were developed for this area. Regardless, fundamental regulations and requirements exist—in particular the Code of Conduct—which also apply to business partners and aim to avoid or minimize potential negative impacts.

During the reporting year, there were no indications of serious human rights issues or human rights incidents related to the value chain. Accordingly, there was no cause for ad hoc measures. The situation is continuously monitored. Should relevant indications arise or risk assessments change, appropriate measures would be taken to prevent, mitigate, or remedy such issues.

### 9.6 Data on addressing Material Adverse Impacts, Risks, and Opportunities (S2-5)

During the reporting year, hGears did not identify any significant impacts, risks, or opportunities related to the workforce in the value chain. Against this backdrop, no specific goals were set to address these issues.

This assessment is reviewed regularly. Should conditions change or new information come to light, corresponding goals would be defined and measures derived.

## 10. AFFECTED COMMUNITIES

As part of the materiality analysis, hGears did not identify any significant negative or positive impacts on affected communities related to the Company's business activities. hGears' business activities take place at existing industrial sites. Based on the available information, there were no indications of significant adverse impacts on local communities during the reporting year.

Against this background, no specific measures or objectives were defined with regard to affected communities. The sustainability topic "Affected Communities" was classified as non-material in the ESRS materiality analysis.

## 11. CUSTOMERS AND END USERS

hGears maintains regular communication with its customers to take their expectations, suggestions, and feedback into account. This dialogue focuses in particular on aspects of product design, product quality, and further development, as well as requirements regarding sustainability, working conditions, and respect for human rights throughout the value chain.

### 11.1 Materiality Potential

hGears' direct customers are companies that source components for their products, particularly manufacturers of e-bike drive systems, automotive manufacturers and suppliers, as well as producers of power tools, garden equipment, and other applications utilizing electric drive technologies. Indirect customers are end users who utilize these products, such as riders of e-bikes or electric vehicles, as well as users of tools and machinery.

hGears manufactures components that are used in end products. When the end products are used as intended, no evidence of significant negative impacts on end users has come to light. The components manufactured by hGears contribute to the functionality, efficiency, and durability of the end products. Indirectly, they can contribute to the reduction of emissions and noise, particularly in connection with electric drive technologies.

Risks and opportunities arise particularly in connection with the characteristics of the end products, over which hGears has only limited influence. These include, in particular:

- Availability and quality of information regarding the end product that supports safe and proper use
- Compliance with safety and health requirements for the end products
- Responsible marketing practices by manufacturers and suppliers of the end products

These factors may indirectly affect demand for hGears' products as well as the Company's reputation.

### 11.2 Concepts Related to Consumers and End Users (S4-1)

hGears pursues a quality-oriented approach in the development and manufacture of its products to support the safety and reliability of the components used in end products. The manufactured components are functionally critical parts and must meet high standards for durability, precision, and longevity. These requirements are ensured through appropriate development, testing, and production processes.

As part of this approach, technical calculations and tests are conducted to evaluate the performance and service life of the components. The goal is to ensure the reliable functioning of the components in their respective application environments and to reduce potential failure risks.

### 11.3 Involvement of Consumers and End Users regarding Impacts (S4-2)

hGears engages in regular and systematic dialogue with key stakeholders, particularly customers, to incorporate suggestions and feedback into product design, product modifications, and business policy. Insights from studies and reports on end markets may also be incorporated into this dialogue.

Key end-users of hGears' products are e-bike riders. Their drivetrains (gears) play a crucial role in the performance, efficiency, and user-friendliness (noise levels) of these vehicles.

- **Efficiency:** e-bike drivetrains should be highly energy-efficient to minimize energy consumption and maximize battery range.
- **Weight:** Since e-bikes are generally intended to become lighter and more agile, the weight of the drivetrains is a key factor. Lightweight materials and compact designs are advantageous.
- **Reliability:** The drivetrains must be robust and durable to withstand the varying conditions and stresses of everyday use. High reliability is crucial for extending maintenance intervals.
- **Ease of maintenance:** e-bike drivetrains should (in the future) be easy to maintain and repair in order to reduce operating costs and increase service life.

- **Noise level:** A quiet transmission contributes significantly to riding comfort. Therefore, low noise during operation is not only desirable but also a key factor in the product's success.
- **Integration with the drive system:** In motor-gear units (MGUs), the transmission should work seamlessly with the e-bike's electric drive system to ensure smooth power delivery and a positive riding experience.
- **Safety:** The gearboxes must be safe and must not pose a danger to the driver—especially in the event of sudden load changes or malfunctions.

End-user involvement does not occur systematically or regularly, but rather on an ad hoc and random basis. Feedback from end-users is often indirect, for example through (trade) press articles and studies. hGears generally has no direct contact with end-users and does not possess any personal data regarding these end-users.

#### 11.4 Mitigation of Negative Impacts/Channels for Raising Concerns (S4-3)

End users and other stakeholders generally have the opportunity to address comments or concerns to hGears. This can be done through the company's publicly accessible communication channels, in particular via the company website as well as via email or telephone. In addition, hGears' whistleblower system is available, through which reports can also be submitted anonymously. Further information on the relevant procedures and reporting channels is provided in [Section 8.4](#).

#### 11.5 Measures Regarding Significant Impacts on Customers/End Users (S4-4)

hGears did not identify any significant negative impacts on consumers or end users during the reporting year. Against this backdrop, no specific measures were taken in connection with such impacts.

Regardless, incoming reports and feedback are reviewed and taken into account as part of existing processes. Should reports of potential negative impacts or risks come to light, appropriate measures would be taken to analyze, mitigate, or prevent them.

## 12. CORPORATE GOVERNANCE

As part of its materiality analysis, hGears also considers governance aspects and their potential impacts on the company. The assessment is based on qualitative and quantitative criteria and is reviewed regularly.

### 12.1 Concepts regarding Corporate Culture (G1-1)

hGears pursues an approach to fostering a responsible corporate culture based on integrity, transparency, and compliance with regulations. The goal is to ensure compliance with legal and internal requirements and to establish a consistent understanding of ethical conduct within the company.

To implement this approach, hGears has established various measures. These include, in particular, measures for employee development and training, flexible work schedules, open communication structures, and the promotion of diversity and inclusion. Furthermore, hGears supports exchange and collaboration within the organization through appropriate formats and initiatives.

The Code of Conduct forms the basis for the expected behavior of all employees. It defines binding standards regarding integrity, fair competition, and the prevention of corruption and bribery. The Code applies throughout the Group and is an integral part of the internal regulations. Its content is communicated through regular training sessions, among other means. To support compliance with these standards, hGears has implemented a Compliance Management System. This includes a whistleblower system as well as defined processes for reviewing and handling incoming reports. Further information on the relevant procedures is provided in Section 8.4. Reports are reviewed by the responsible functions, in particular by the Group Human Resources Director and the Group Head of Risk & Compliance. If necessary, internal and external specialist units are involved in the investigation, and appropriate remedial measures are initiated.

In the areas of purchasing and sales, there are heightened risks related to corruption and bribery. To manage these risks, internal guidelines apply, as well as the standards for ethical and compliant conduct set forth in the Code of Conduct. These guidelines apply to both employees and business partners within the framework of existing contractual relationships.

## 12.2 Management of Supplier Relationships (G1-2)

hGears structures its relationships with suppliers based on defined procurement and compliance processes. The goal is to ensure the supply of materials and services while simultaneously guaranteeing compliance with legal and internal requirements throughout the supply chain.

The selection and management of suppliers is based on established criteria, particularly with regard to quality, availability, price, and compliance with relevant regulatory and internal company requirements. Operational implementation is carried out by the purchasing function in coordination with the relevant departments. To ensure product and process quality, hGears collaborates with its suppliers within the framework of defined quality requirements. These requirements are reviewed within the context of existing business relationships and adjusted as needed. Aspects of sustainability and compliance are taken into account within existing processes, particularly with regard to environmental requirements, working conditions, and legal mandates. Due to limited transparency, systematic evaluation across the entire value chain is currently only possible to a limited extent.

If there are indications of potential violations of legal or internal requirements, hGears investigates them and reviews appropriate measures. These may also include adjustments to the collaboration with suppliers. Additionally, reports can be submitted via the existing whistleblower system, which is also accessible to external stakeholders. Further information on this is provided in the [Section 8.4](#).

## 12.3 Prevention and Detection of Corruption and Bribery (G1-3)

hGears has implemented measures to prevent and detect corruption and bribery. These are based on the Group-wide Code of Conduct, which contains binding guidelines regarding ethical and compliant behavior as well as the prevention of corruption and bribery. These guidelines are supported by the Compliance Management System, which encompasses processes for the prevention, identification, and handling of potential violations. These include, in particular, defined review and escalation processes as well as the existing whistleblower system. Further information on the whistleblower system is provided in the [Section 8.4](#).

Reports of potential violations are reviewed by the responsible functions, in particular by the Group Human Resources Director and the Group Head of Risk & Compliance. The results of the reviews are documented. Relevant matters are forwarded to the Management Board as part of the existing reporting processes.

## 12.4 Cases of Corruption or Bribery (G1-4)

hGears did not identify any confirmed cases of corruption or bribery in the reporting year. Likewise, no fines or sanctions were imposed in connection with violations of anti-corruption regulations.

## 12.5 Political Influence and Lobbying Activities (G1-5)

hGears does not engage in any activities related to political influence or lobbying.

hGears makes no financial or other contributions for political purposes. Over the past two years, no members of hGears' administrative, management, or supervisory bodies have been appointed who previously held a comparable position in public administration.

hGears is a member of the Schwarzwald-Baar-Heuberg Chamber of Industry and Commerce.

## 12.6 EU Taxonomy

The EU Taxonomy is a classification system developed by the European Union (EU) that defines economic activities as environmentally sustainable based on specific predefined criteria. The aim of the EU Taxonomy is to promote investment in companies that engage in environmentally sustainable activities. In this way, the EU Taxonomy is intended to assist in the implementation of the European Green Deal, in particular to achieve climate neutrality within the EU by 2050.

hGears reports, in accordance with Article 8 of Regulation (EU) 2020/852, on the proportion of its economic activities that are classified as taxonomy-eligible and taxonomy-compliant within the meaning of the EU Taxonomy.

The assessment of economic activities was conducted based on Delegated Regulation (EU) 2021/2139.

This process identified those activities that can contribute to achieving the environmental objectives of climate protection and adaptation to climate change. hGears has identified the following taxonomy-eligible economic activities:

### 3.3 Production of low-carbon transport technologies (including low-carbon vehicles)

### 3.6 Production of other low-carbon technologies

The following tables provide data on the share of these activities in revenue as well as in investment and operating expenses.

## 12.7 Taxonomy-compliant Economic Activities

An economic activity is considered taxonomy-compliant if it meets the technical assessment criteria of the EU Taxonomy. These include requirements for a substantial contribution to an environmental objective as well as compliance with the "Do No Significant Harm" principle. Additionally, minimum safeguard requirements must be met.

In this context, hGears has identified the environmental objectives **(1)** Climate Action and **(4)** Transition to a Circular Economy. Regarding the environmental objectives **(2)** Climate Change Adaptation, **(3)** Sustainable use and protection of water resources, **(5)** Pollution prevention, and **(6)** Protection of ecosystems and biodiversity, hGears was unable to make any detectable contribution in the reporting year. The further analyses presented below were therefore limited to Annex I of the EU Taxonomy Regulation. As part of the analysis, hGears identified contributions in particular to the environmental objective of climate action. In addition, potential contributions to the environmental objective of the circular economy were taken into account. No significant contributions were identified in the reporting year for the environmental objectives of adaptation to climate change, sustainable use and protection of water resources, prevention of pollution, and protection of biodiversity and ecosystems. The further analysis of taxonomy-compliant economic activities is based on the technical assessment criteria set out in Annex I of Delegated Regulation (EU) 2021/2139.

## 12.8 Significant contribution

The mechanical components manufactured by hGears, in particular gears, shafts, and axles, are used in electric drive systems. These applications are related to the economic activities identified in the introduction to the [Section 12.6](#) in accordance with the EU Taxonomy. The classification is based on the use of the components in electrified applications, in particular in drive systems for vehicles as well as in other electric applications. The assessment of the significant contribution is based on the technical assessment criteria set out in Annex I of Delegated Regulation (EU) 2021/2139.

## 12.9 Compliance with minimum protection requirements

Compliance with the minimum safeguards set forth in Article 18 of the Taxonomy Regulation (EU) 2020/852 is a prerequisite for the taxonomy compliance of economic activities. These requirements relate in particular to human rights, labour and consumer rights, corruption and bribery, taxation, and fair competition. The audit conducted at the Group level did not reveal any indications of material violations of these requirements.

hGears has implemented processes and measures designed to support compliance with these requirements. These include, in particular, internal guidelines, compliance structures, and procedures for identifying and assessing risks. Furthermore, aspects of compliance with legal and regulatory requirements are taken into account within the framework of existing procurement and compliance processes.

## 12.10 Determination of Taxonomy Metrics

The determination of taxonomy metrics and the reporting of taxonomy-eligible and taxonomy-compliant economic activities are based on the relevant delegated acts regarding the EU taxonomy. The reported metrics include the proportions of taxonomy-eligible and taxonomy-compliant revenue, as well as investment and operating expenses.

### Revenue

The revenue share pursuant to Article 8(2)(a) of Regulation (EU) 2020/852 is calculated as the ratio of net revenue from taxonomy-eligible and taxonomy-compliant economic activities to total net revenue. Net revenue corresponds to the definition set forth in Article 2(5) of Directive 2013/34/EU.

**Capital expenditures**

Capital expenditures comprise additions to property, plant, and equipment and intangible assets during the fiscal year before depreciation and amortization. The basis is the corresponding items in accordance with the relevant IFRS standards, in particular IAS 16, IAS 38, IAS 40, IAS 41, and IFRS 16.

Taxonomy-eligible and taxonomy-compliant capital expenditures refer to assets associated with relevant economic activities or that are part of a plan to expand or convert such activities.

**Operating Expenses**

Operating expenses include direct, non-capitalized expenses, in particular for research and development, building renovation measures, short-term leasing, and maintenance and repair of property, plant, and equipment. Taxonomy-eligible and taxonomy-compliant operating expenses relate to expenses associated with relevant economic activities or that are part of a plan to expand or convert these activities.

To determine taxonomy-eligible and taxonomy-compliant operating expenses, the relevant expenditures in the reporting year were analyzed to assess the extent to which they could be allocated to the economic activities identified in [Section 12.6](#). The amounts determined in this manner were compared to the total operating expenses eligible for consideration under the taxonomy.

## Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Turnover

Year	Turnover		Significant contribution to EU environmental targets*	Impairment of other EU environmental targets***	Minimum protection****
	in total	Share taxonomy-capable	Share taxonomy-compliant**		
<b>2021</b>	<b>EUR 134.9 million</b>	<b>EUR 42.9 million</b>	–		
e-Mobility		32.2 %	–		
e-Tools		0.0 %	–		
Conventional		0.0 %	–		
Σ		32.2 %	–		
<b>2022</b>	<b>EUR 135.3 million</b>	<b>EUR 92.9 million</b>	<b>EUR 76.1 million</b>		
e-Mobility		38.4 %	38.4 %		
e-Tools		30.9 %	18.4 %		
Conventional		0.0 %	0.0 %		
Σ		69.3 %	56.8 %		
<b>2023</b>	<b>EUR 111.7 million</b>	<b>EUR 68.5 million</b>	<b>EUR 55.8 million</b>		
e-Mobility		37.6 %	37.6 %		
e-Tools		23.8 %	12.4 %		
Conventional		0.0 %	0.0 %		
Σ		61.4 %	50.0 %		
<b>2024</b>	<b>EUR 95.2 million</b>	<b>EUR 63.1 million</b>	<b>EUR 49.0 million</b>		
e-Bike		19.4 %	19.4 %		
e-Tools		28.5 %	13.7 %		
[e]-Mobility		18.4 %	18.4 %		
Σ		66.3 %	51.5 %		
<b>2025</b>	<b>EUR 91.8 million</b>	<b>EUR 61.3 million</b>	<b>EUR 47.6 million</b>		
e-Bike		10.8 %	10.8 %		
e-Tools		32.3 %	17.4 %		
[e]-Mobility		23.9 %	23.9 %		
Σ		67.0 %	52.1 %		

The audit of economic activities did not identify any violation of EU objectives

Minimum protection is guaranteed for all economic activities

\* Climate protection, adaptation to climate change.

\*\* Not part of mandatory reporting in 2021.

\*\*\* Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

\*\*\*\* Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

## Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Investments

Year	Capital expenditure ("CAPEX")		Significant contribution to EU environmental targets*	Impairment of other EU environmental targets***	Minimum protection****
Business area	in total	Share taxonomy-capable	Share taxonomy-compliant**		
<b>2021</b>	<b>EUR 14.7 million</b>	<b>EUR 5.2 million</b>	–		
e-Mobility		35.4 %	–		
e-Tools		0.0 %	–		
Conventional		0.0 %	–		
Σ		35.4 %	–		
<b>2022</b>	<b>EUR 16.6 million</b>	<b>EUR 12.1 million</b>	<b>EUR 10.6 million</b>		
e-Mobility		62.7 %	62.7 %		
e-Tools		9.9 %	1.0 %		
Conventional		0.0 %	0.0 %		
Σ		72.6 %	63.7 %		
<b>2023</b>	<b>EUR 9.1 million</b>	<b>EUR 6.8 million</b>	<b>EUR 6.3 million</b>		
e-Mobility		68.0 %	68.0 %		
e-Tools		6.3 %	1.1 %		
Conventional		0.0 %	0.0 %		
Σ		74.3 %	69.1 %	The audit of economic activities did not identify any violation of EU objectives	Minimum protection is guaranteed for all economic activities
<b>2024</b>	<b>EUR 2.6 million</b>	<b>EUR 1.6 million</b>	<b>EUR 1.3 million</b>		
e-Bike		17.0 %	17.0 %		
e-Tools		20.0 %	5.4 %		
[e]-Mobility		25.3 %	25.3 %		
Σ		62.3 %	47.7 %		
<b>2025</b>	<b>EUR 11.7 million</b>	<b>EUR 9.0 million</b>	<b>EUR 6.9 million</b>		
e-Bike		52.4 %	52.4 %		
e-Tools		20.2 %	1.6 %		
[e]-Mobility		4.6 %	4.6 %		
Σ		77.2 %	58.6 %		

\* Climate protection, adaptation to climate change.

\*\* Not part of mandatory reporting in 2021.

\*\*\* Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

\*\*\*\* Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

## Economic activity of hGears within the meaning of the EU Taxonomy Regulation: Operating expenses

Year	Operating expenses ("OPEX")		Significant contribution to EU environmental targets*	Impairment of other EU environmental targets***	Minimum protection****
Business area	in total	Share taxonomy-capable	Share taxonomy-compliant**		
<b>2021</b>	<b>EUR 8.0 million</b>	<b>EUR 1.6 million</b>	–		
e-Mobility		19.5 %	–		
e-Tools		0.0 %	–		
Conventional		0.0 %	–		
Σ		19.5 %	–		
<b>2022</b>	<b>EUR 7.0 million</b>	<b>EUR 5.2 million</b>	<b>EUR 4.5 million</b>		
e-Mobility		53.8 %	53.8 %		
e-Tools		19.7 %	9.9 %		
Conventional		0.0 %	0.0 %		
Σ		73.5 %	63.7 %		
<b>2023</b>	<b>EUR 6.0 million</b>	<b>EUR 3.3 million</b>	<b>EUR 3.3 million</b>		
e-Mobility		55.1 %	55.1 %		
e-Tools		16.7 %	7.6 %		
Conventional		0.0 %	0.0 %		
Σ		71.8 %	52.7 %		
<b>2024</b>	<b>EUR 5.1 million</b>	<b>EUR 3.9 million</b>	<b>EUR 3.3 million</b>	The audit of economic activities did not identify any violation of EU objectives	Minimum protection is guaranteed for all economic activities
e-Bike		36.4 %	36.4 %		
e-Tools		18.1 %	5.8 %		
[e]-Mobility		21.4 %	21.4 %		
Σ		75.8 %	63.5 %		
<b>2025</b>	<b>EUR 5.4 million</b>	<b>EUR 4.3 million</b>	<b>EUR 3.6 million</b>		
e-Bike		36.9 %	36.9 %		
e-Tools		20.6 %	6.6 %		
[e]-Mobility		22.0 %	22.0 %		
Σ		79.5 %	65.5 %		

\* Climate protection, adaptation to climate change.

\*\* Not part of mandatory reporting in 2021.

\*\*\* Sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems.

\*\*\*\* Guarantee of minimum protection criteria with regard to occupational safety as well as labour and human rights. To ensure long-term comparability, the 2024 values for the old business areas are shown.

## 13. SFDR DISCLOSURES

### SFDR reporting

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Data and information in accordance with Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector and with Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 with regard to regulatory technical standards specifying the details of the content and presentation of information

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## ANNEX I, TABLE 1

### Climate indicators and other environmental indicators

Sustainability Indicator for Adverse Impacts	Metric	Impact	Explanation	Measures taken/ planned and targets for future reporting periods
<b>Greenhouse Gas Emissions</b>				
1. GHG emissions	Scope 1 greenhouse gas emissions	2024: 1,829 t 2025: 1,989 t	see Sustainability Report 2025: • <a href="#">Section 2.8</a> "Goals and Measures" • <a href="#">Section 3.4</a> "Measures Related to Climate Strategies"	see Sustainability Report 2025: • <a href="#">Section 2.8</a> "Goals and Measures" • <a href="#">Section 3.2</a> "Transition Plan for Climate Protection"
	Scope 2 greenhouse gas emissions	2024: 4,710 t 2025: 4,670 t		
	Scope 3 greenhouse gas emissions	2024: 17,422 t 2025: 12,501 t		
	Total GHG emissions	2024: 23,961 t 2025: 19,160 t		
2. CO <sub>2</sub> footprint	2. Carbon footprint	Not relevant		
3. GHG emissions intensity of the companies in which investments are made	GHG emissions intensity of the companies in which investments are made	2024: 23,961 t CO <sub>2</sub> eq with EUR 95.2 million in revenue 2025: 19,160 t CO <sub>2</sub> eq with EUR 91.8 million in revenue		
4. Investment in companies operating in the fossil fuels sector	Proportion of investments in companies operating in the fossil fuels sector	Not relevant		
5. Share of energy consumption and energy production from non-renewable energy sources	Proportion of energy consumption and energy generation by the companies in which investments are made that comes from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Total energy consumption (EC) 2024: 104,907 gigajoules 2025: 103,181 gigajoules  EC from renewable sources 2024: 72,960 gigajoules 2025: 66,473 gigajoules  EV from non-renewable sources 2024: 32,283 gigajoules 2025: 32,851 gigajoules  Own renewable energy generation 2024: 3,654 gigajoules 2025: 3,857 gigajoules		see Sustainability Report 2025: • <a href="#">Section 2.8</a> "Goals and Measures"
6. Energy consumption intensity by climate-intensive sectors	Energy consumption in GWh per EUR million of revenue of the companies in which investments are made, broken down by climate-intensive sectors	No activities in climate-intensive sectors		

Sustainability Indicator for Adverse Impacts	Metric	Impact	Explanation	Measures taken/ planned and targets for future reporting periods
<b>Biodiversity</b>				
7. Activities that have an adverse impact on areas with vulnerable biodiversity	Proportion of investments in companies in which investments are made that have sites/ operations in or near areas with vulnerable biodiversity, provided that the activities of these companies have an adverse impact on these areas	No discernible impact		
<b>Water</b>				
8. Emissions to water	Weighted average of water emissions caused by the companies, in which investments are made, in tonnes per EUR million invested	No discernible impact (0.0 m <sup>3</sup> )		
<b>Waste</b>				
9. Proportion of hazardous and radioactive waste	Tons of hazardous and radioactive waste generated by the companies in which investments are made per million euros invested, expressed as a weighted average	2024: Waste 2,954t of which hazardous 628t No radioactive waste 0.0t 2025: Waste 2,175t of which hazardous 552t No radioactive waste 0.0t		

## ANNEX I, TABLE 1 (CONTINUED)

Indicators in the areas of social affairs and employment, respect for human rights, and the fight against corruption and bribery and anti-corruption and anti-bribery

Sustainability Indicator for Adverse Impacts	Metric	Impact
<b>Social Affairs and Employment</b>		
10. Violations of the UN Global Compact Principles and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Percentage of investments in companies that have been involved in violations of the UNGC Principles or the OECD Guidelines for Multinational Enterprises	2024/2025: No violations of UNGC or OECD principles
11. Lack of processes and compliance mechanisms to monitor adherence to the UNGC Principles and the OECD Guidelines for Multinational Enterprises	Percentage of investments in companies that have not established policies to monitor compliance with the UNGC Principles/OECD Guidelines for Multinational Enterprises or procedures for handling complaints regarding violations of the UNGC Principles and OECD Guidelines for Multinational Enterprises	2024/2025: hGears has established a compliance organization that also monitors adherence to UNGC and OECD principles  2024/2025: hGears has established a grievance procedure
12. Unadjusted gender pay gap	Average unadjusted gender pay gap at the companies in which investments are made	2024: Men 100% Women 104% 2025: Men 100% Women 105%
13. Gender diversity in management and supervisory bodies	Average ratio of women to men in the management and supervisory bodies of the companies in which investments are made, expressed as a percentage of all members of the management and supervisory bodies	2024: Management Board: 2 men, 0 women Supervisory Board: 4 men, 1 woman 2025: Management Board: 2 men, 0 women Supervisory Board: 4 men, 1 woman
14. Investment in controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)	Percentage of investments in companies involved in the manufacture or sale of controversial weapons	No exposure

## ANNEX I, TABLE 2

### Additional climate indicators and other environmental indicators

Adverse Sustainability Impacts	Adverse Impacts on Sustainability Factors (qualitative or quantitative)	Metric
<b>Emissions</b>	1. Emissions of inorganic pollutants	Tons of inorganic pollutant equivalents per EUR million invested, expressed as a weighted average  2024/2025: No emissions exceeding legally permissible limits (lowest pollution load)
	2. Emissions of air pollutants	Tons of air pollutant equivalents per EUR million invested, expressed as a weighted average  2024/2025: No emissions exceeding legally permissible limits (lowest pollution load)
	3. Emissions of ozone-depleting substances	Tons of ozone-depleting substances equivalent per EUR million invested, expressed as a weighted average  2024/2025: No emissions exceeding legally permissible limits (lowest pollution load)
	4. Investments in companies without initiatives to reduce CO <sub>2</sub> emissions	Proportion of investments in companies that do not implement initiatives to reduce CO <sub>2</sub> emissions in accordance with the Paris Agreement:  <ul style="list-style-type: none"> <li>• Initiatives to reduce energy consumption</li> <li>• Initiatives to increase the share of renewable energy (self-generated and externally sourced)</li> <li>• Draft of a transition plan to mitigate climate change</li> </ul>
<b>Energy Efficiency</b>	5. Breakdown of energy consumption by type of non-renewable energy source	Proportion of energy from non-renewable sources used by the companies in which investments are made, broken down by individual non-renewable energy sources:  32,283 GJ (2024) and 32,851 GJ (2025) of electricity purchased from gas- and coal-fired power plants, as well as 2,049 GJ (2024) and 2,126 GJ (2025) of diesel fuel, and 29,898 GJ (2024) and 30,725 GJ (2025) of natural gas

Water, Waste, and Material Emissions		
	6. Water consumption and recycling	<p><b>6a.</b> Average water consumption (in cubic meters) of the companies in which investments are made, per EUR million of revenue:</p> <p>2024: 37,734 m<sup>3</sup> water withdrawn/used  29,234 m<sup>3</sup> volume of water discharged  7,972 m<sup>3</sup> amount of water evaporated  528 m<sup>3</sup> liquid waste</p> <p>2025: 34,872 m<sup>3</sup> water withdrawn/used  18,973 m<sup>3</sup> volume of water discharged  15,381 m<sup>3</sup> amount of water evaporated  518 m<sup>3</sup> liquid waste</p> <p><b>6b.</b> Weighted average percentage of water recovered and reused by the companies in which investments are made:</p> <p>hGears recycles water in loops for multiple uses but does not record this in detail; in the reporting year, approximately one-quarter of the fresh water withdrawn is estimated to have been reused multiple times.</p>
	7. Investments in companies without water management measures	<p>Proportion of investments in portfolio companies without water management measures:</p> <p>hGears' water demand is closely correlated with production volume above all in Padova; conceptually, hGears has committed to increasing the proportion of water recycled in closed-loop systems</p>
	8. Engagement in areas with high water stress	<p>Proportion of investments in companies whose sites are located in areas with high water stress and which do not implement water management measures:</p> <p>in Suzhou, hGears continuously reviews production processes for opportunities to reduce water usage; furthermore, the proportion of water recycled is being continuously increased.</p>
	9. Investments in companies that manufacture chemicals	<p>Percentage of investments in companies whose activities fall under Section 20.2 of Annex I to Regulation (EC) No. 1893/2006: no chemical manufacturing</p>
	10. Soil degradation, desertification, soil sealing	<p>Proportion of investments in companies whose activities lead to soil degradation, desertification, or soil sealing: no discernible impact</p>

	11. Investments in companies without sustainable land use/ agricultural practices	Percentage of investments in companies that do not employ sustainable land use/ agricultural practices: no activities in the area of land use/ agriculture
	12. Investments in companies without sustainable practices in the oceans/seas sector	Percentage of investments in companies that do not employ sustainable ocean/ marine practices:
	13. Percentage of non-recycled waste	Tons of non-recycled waste generated by the companies in which investments are made per EUR million invested, expressed as a weighted average: 2024: 2,954 t of waste 434 t of which is non-recycled waste 2025: 2,175 t of waste 437 t of which is non-recycled waste
	14. Naturally occurring species and protected areas	<b>14a.</b> Percentage of investments in companies whose business activities impact endangered species: no discernible impact <b>14b.</b> Percentage of investments in companies that invest in operations without biodiversity conservation strategies for sites located in or near protected areas or areas of high biodiversity value outside protected areas that are owned, leased, or managed by the company: no discernible impact
	15. Deforestation	Percentage of investments in companies without strategies to combat deforestation: not applicable
<b>Green Securities</b>	16. Proportion of securities not issued in accordance with Union legislation on green bonds	Not applicable

## ANNEX I, TABLE 3

Additional indicators for the areas of social and employment, respect for human rights, and anti-corruption and anti-bribery

Adverse Sustainability Impacts	Adverse Impacts on Sustainability Factors (qualitative or quantitative)	Metric
<b>Social and Employment</b>	1. Investments in companies without measures to prevent workplace accidents	<p>Proportion of investments in companies that have not implemented measures to prevent workplace accidents:</p> <p>hGears has implemented structural modifications to machines in order to largely prevent operating errors that could pose a health hazard</p>
	2. Accident rate	<p>Accident rate in companies receiving investment, expressed as a weighted average:</p> <p>2024: 5 workplace accidents 1,222,181 hours worked</p> <p>2025: 4 workplace accidents 1,120,208 hours worked</p>
	3. Number of lost workdays due to injuries, accidents, fatalities, or illnesses	<p>Number of days lost due to injuries, accidents, fatalities, or illnesses in the companies in which investments are made, expressed as a weighted average:</p> <p>2025: 4,213 days lost</p>
	4. No Code of Conduct for Suppliers	<p>Proportion of investments in companies in which investments are made that do not have a code of conduct for suppliers (to combat unsafe working conditions, precarious employment, child labour, and forced labour):</p> <p>In the reporting year, hGears established a new supplier code of conduct</p>
	5. No procedure for handling complaints related to employee concerns	<p>Proportion of investments in companies that do not have procedures in place for handling complaints related to employee concerns:</p> <p>During the reporting year, hGears did not receive any reports or complaints regarding employee concerns</p>

	6. Inadequate protection of whistleblowers	<p>Proportion of investments in companies that lack measures to protect whistleblowers:</p> <p>Adequate protection of whistleblowers; hGears maintains a whistleblower system that is publicly and globally accessible. All hGears employees at all locations can use the system in compliance with local laws.</p> <p>In this context, a new Group policy has been established, which draws upon the European Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law (EU Whistleblower Directive), the German Whistleblower Protection Act (HinSchG), and Italian Decree No. 24/2023 (Decreto Legislativo n. 24/2023).</p>
	7. Cases of discrimination	<p><b>7a.</b> Number of reported cases of discrimination in the companies in which investments are made, expressed as a weighted average:</p> <p>2024: No cases of discrimination 2025: No cases of discrimination</p> <p><b>7b.</b> Number of discrimination cases that led to sanctions in the companies in which investments are made, expressed as a weighted average:</p> <p>2024: Not applicable 2025: Not applicable</p>
	8. Excessive compensation of members of the governing bodies	<p>Average ratio of the total annual compensation of the highest-paid employee to the median total annual compensation of all employees (excluding the highest-paid employee) in the companies in which investments are made:</p> <p>2025: 928 %</p>

Adverse sustainability impacts	Adverse impacts on sustainability factors (qualitative or quantitative)	Metric
<b>Human rights</b>	9. Lack of a human rights policy	Proportion of investments in companies without a human rights policy:  Code of Conduct (revised during the reporting year)
	10. Lack of due diligence	Proportion of investments in companies that do not conduct due diligence to identify, prevent, mitigate, and address adverse human rights impacts:  Appropriate and comprehensive due diligence at hGears (relevant reports can be submitted via the globally accessible whistleblower system; no reports were received during the reporting year).
	11. Lack of procedures and measures to combat human trafficking	Proportion of investments in companies that have not established measures to combat human trafficking:  Appropriate and comprehensive procedures and measures at hGears (relevant reports can be submitted via the globally accessible whistleblower system; no reports were received during the reporting year)
	12. Business activities and suppliers where there is a significant risk of child labour	Proportion of investments in companies where there is a significant risk that children are employed in their operations or those of their suppliers, broken down by geographic region or type of activity:  No significant risk of child labour in connection with hGears' business activities; no relevant indications
	13. Business activities and suppliers where there is a significant risk of forced labour	Proportion of investments in companies in which there is a significant risk that forced labour is used in their operations or those of their suppliers, broken down by geographic region and/or type of activity:  No significant risk of forced labour in hGears' upstream supply chain; no relevant indications
	14. Number of incidents of serious human rights violations and other incidents	Weighted average of cases of serious human rights violations and other incidents related to companies in which investments are made:  2024: No known cases of human rights violations  2025: No known cases of human rights violations

Adverse sustainability impacts	Adverse impacts on sustainability factors (qualitative or quantitative)	Metric
<b>Combating corruption and bribery</b>	15. Lack of measures to combat corruption and bribery	<p>Proportion of investments in companies that have not established measures to combat corruption and bribery in accordance with the United Nations Convention against Corruption:</p> <p>Compliance management system at hGears (plus: publicly accessible whistleblower system through which violations can be reported)</p>
	16. Inadequate measures in response to violations of anti-corruption and anti-bribery standards	<p>Proportion of investments in companies where inadequacies have been identified in the handling of violations of anti-corruption and anti-bribery procedures and standards:</p> <p>Compliance management system at hGears (also: publicly accessible whistleblower system through which violations can be reported)</p>
	17. Number of convictions and amount of fines for violations of anti-corruption and anti-bribery regulations	<p>Number of convictions and amount of fines for violations of anti-corruption and anti-bribery regulations at the companies in which investments are made:</p> <p>2024: No reports, no convictions, no payments 2025: No reports, no convictions, no payments</p>

## IMPRINT

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### Disclaimer

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